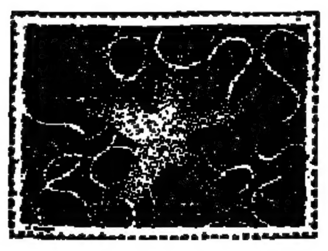
Free trade in North America

Who wins and who loses and how it will work

Page 3



Britain's EC presidency

Weak leader or scapegoat for general indecision?

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US treasury auctions

After Salomon, still waiting for reform

Page 11

FINANCIAL TIMES

Thursday August 13 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

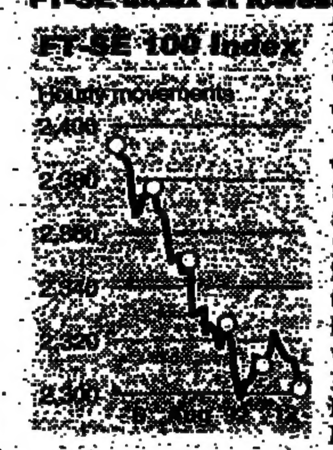
UK government close to dropping balanced budget

The UK government is close to dropping its commitment to balance the national budget in favour of less ambitious targets for fiscal deficits envisaged in the Maastricht accord on European monetary union. Ministers accept that it will be impossible to eliminate the large and rising public sector deficit before the general election due by 1997. Page 10 and Lex

Baker move expected: US secretary of state James Baker is widely expected to announce within the next 24 hours that he will take control of President George Bush's re-election campaign. Page 10

Perrier springs surprise: Nestlé, whose takeover of French mineral water producer Perrier was agreed by the European Commission last month, has discovered that Perrier does not own at least one of the eight springs Nestlé told the EC it would sell to create a third force in the market. Page 11

FT-SE index at lowest for 18 months



The London stock market fell again, taking the FT-SE 100 index of the UK's most highly valued companies down a further 6.5 to 2,303.1, its lowest since February last year. The index has fallen for seven consecutive trading days, the longest fall since it was established in 1984. London stocks, Page 19; World stocks, Back Page, Section II

US denies Iraqi build-up: The US denied reports from an Iraqi opposition group that President Saddam Hussein was massing troops on the border with Kuwait. Page 4

Funding for Jaguar: Ford Motor of the US has injected £135m ($258m) in equity capital into Jaguar as part of a financial restructuring of its troubled UK luxury car subsidiary. Page 15

Boost for Boots' drug: British retail and healthcare group Boots received its first licence – from the UK – for its cardiovascular drug Manoplax. The drug's success is vital for the credibility of Boots' pharmaceuticals research. Page 11; Lex, Page 10

Warning on Israeli deal: A US agreement on $10bn in loan guarantees for Israel brought warnings that it could endanger the Middle East peace process. Page 10

Sickness doubles: Absence from work through illness in Britain probably exceeded 500m days last year, nearly double the figure of a decade ago, according to a report for the Department of Social Security.

Deficit grows: Germany's long-term capital account deficit increased almost eight-fold in June because of a surge in demand for foreign securities, the Bundesbank said. Net capital exports during the month of DM6.7bn ($4.5bn) compared with a net inflow of DM1.9bn in May. Page 2

Lee Ming Tee flagship faces probe: The *Hong Kong government* is to inspect Allied Group, flagship of Lee Ming Tee's property-based empire, following advice from the colony's corporate watchdog. Page 11

Creditors cause delay: Restructuring of Nippon Housing Loan, Japan's largest home-loan company, which faces mounting problem loans, has been stalled by squabbles among its main creditors. Page 13

'Mad cow' disease in Denmark: Danish agriculture minister Laurits Toernaes said beef exports could be hurt following diagnosis of the country's first case of bovine spongiform encephalopathy, or "mad cow" disease. Beef exports last year were worth $530m.

Cash for bank: Kansallis-Osake-Pankki, Finland's largest commercial bank, said it would take a FM 1.7bn ($422m) injection from the Finnish government to strengthen its capital base. The group's half-year results are due next month and are expected *to* show a continuing loss. Page 11

Round trip: United Airlines of the US will launch the only daily round-the-world scheduled air service in February. The 40-hour journey will stop at London, New Delhi, Hong Kong, San Francisco, Los Angeles and New York and and cost up to $4,159. The westbound route will take seven hours longer because of headwinds.

STOCK MARKET INDICES

FT-SE 100:	2,303.1	(−6.5)
Yield	5.19	
FT-SE Eurotrack 100	1,037.76	(−7.16)
FT-A All-Share	1,097.21	(−0.2%)
FT-A World Index	133.51	(−0.4%)
Nikkei	14,773.79	(−48.77)
New York:		
Dow Jones Ind Ave	3,320.83	(−10.27)
S&P Composite	417.78	(−1.12)

US CLOSING RATES

Federal Funds:	3¼%	(3⅜%)
3-mo Treas Bills: Yld	3.159%	(3.178%)
Long Bond	106 1/16	(108 5/32)
Yield	7.321%	(7.314%)

LONDON MONEY

3-mo Interbank	10¼%	(10¼%)
Liffe long gilt future:	Sep 96 11/32	(Sep 97 1/32)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$19.725	(19.6)

Gold

New York Comex (Aug)	$338.6	(347.3)
London	$346.35	(348.65)

STERLING

New York:		
$	1.9305	(1.9275)
London:		
$	1.928	(1.9215)
DM	2.8225	(2.8275)
FFr	9.5675	(9.57)
SFr	2.545	(2.545)
Y	246.25	(246.0)
£ Index	92.9	(92.1)

DOLLAR

New York:		
DM	1.4632	(1.467)
FFr	4.959	(4.9865)
SFr	1.3265	(1.3198)
Y	127.3	(127.97)
London:		
DM	1.464	(1.4715)
FFr	4.9625	(4.98)
SFr	1.3205	(1.3245)
Y	127.7	(128.05)
$ Index	69.3	(60.4)

Tokyo close Y 127.87

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 16,000	UAE	Dh9.00
Germany	DM3 30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

N American free trade deal opens up 'new era'

By Nancy Dunne in Washington, Damian Fraser in Mexico City and Bernard Simon in Toronto

THE US, Canada and Mexico yesterday agreed to form what will be one of the world's two largest free trade zones with *360m consumers and an economy* that produces goods and services worth more than $6,000bn a year.

President George Bush hailed the pact as the beginning of "a new era" on the North American continent. He described the agreement as part of his "long-term economic growth plan" and said booming trade with Mexico had already created 600,000 American jobs. Thousands more would come from new investment in all three countries, he said.

If it is approved by the legislatures of all three countries, the North American Free Trade Agreement will create a huge trading bloc, phasing out duties over 15 years, sweeping away trade restrictions and restructuring whole industries.

It is an unprecedented mixed marriage – linking two industrialised powers with a third world nation. It will join the capital, technology and creativity of the US and Canada with the cheap labour and resources of Mexico.

The pact took 14 months of talks between the three countries, ending in 10 days of intense negotiations in Washington as Mrs Carla Hills, the US trade representative, pressed for completion in time for the Republican party convention next week. Weeks of work remain to settle the legal text before it can go to the US Congress for ratification.

The pact will be opposed in congress, which has insisted on protection for jobs and the environment. Thousands of American workers are expected to lose their jobs when companies move south of the Mexico-US border. Estimates range from 150,000 to 550,000 – most will be high-wage factory jobs.

Momentum towards a Nafta has been driven by worries over deadlock in the Uruguay Round of talks on world trade liberalisation, and over the emergence of a "Fortress Europe".

The creation of the Single European Market in January next year, the plans to widen the EC to encompass the Efta countries into a European Economic Area, and growing economic links between the EC and emergent eastern European economies, have all focussed US atten*tion on the need for an American* counterweight.

As Mrs Hills said yesterday, the Nafta is "chock-full of firsts". For the first time, Mexico will open its market to US cars, light trucks and motor vehicle parts. After 15 years, the agreement will guarantee total market access in agriculture. It is the first international trade agreement to eliminate quotas on textiles among its parties.

It is the first to create free trade in services – opening Mexico's $6bn telecommunications market and a $3.5bn insurance market.

President Carlos Salinas de Gortari of Mexico gave a vigorous defence of Nafta yesterday in a televised speech, describing it as a mechanism to "generate more employment and better pay for the Mexicans" but warning "that the benefits will not arrive immediately."

The Nafta is the most obvious indication of the radical change in Mexico's economic and foreign policy in the past five years, making reversal of the current policies difficult. Once deeply suspicious of both the US and free trade, Mexico is now embracing both through the agreement. Mr Salinas said the treaty would make Mexico one of the centres of the world economy.

Mr Brian Mulroney, Canada's prime minister, is expected to seek parliamentary approval for the accord later this year.

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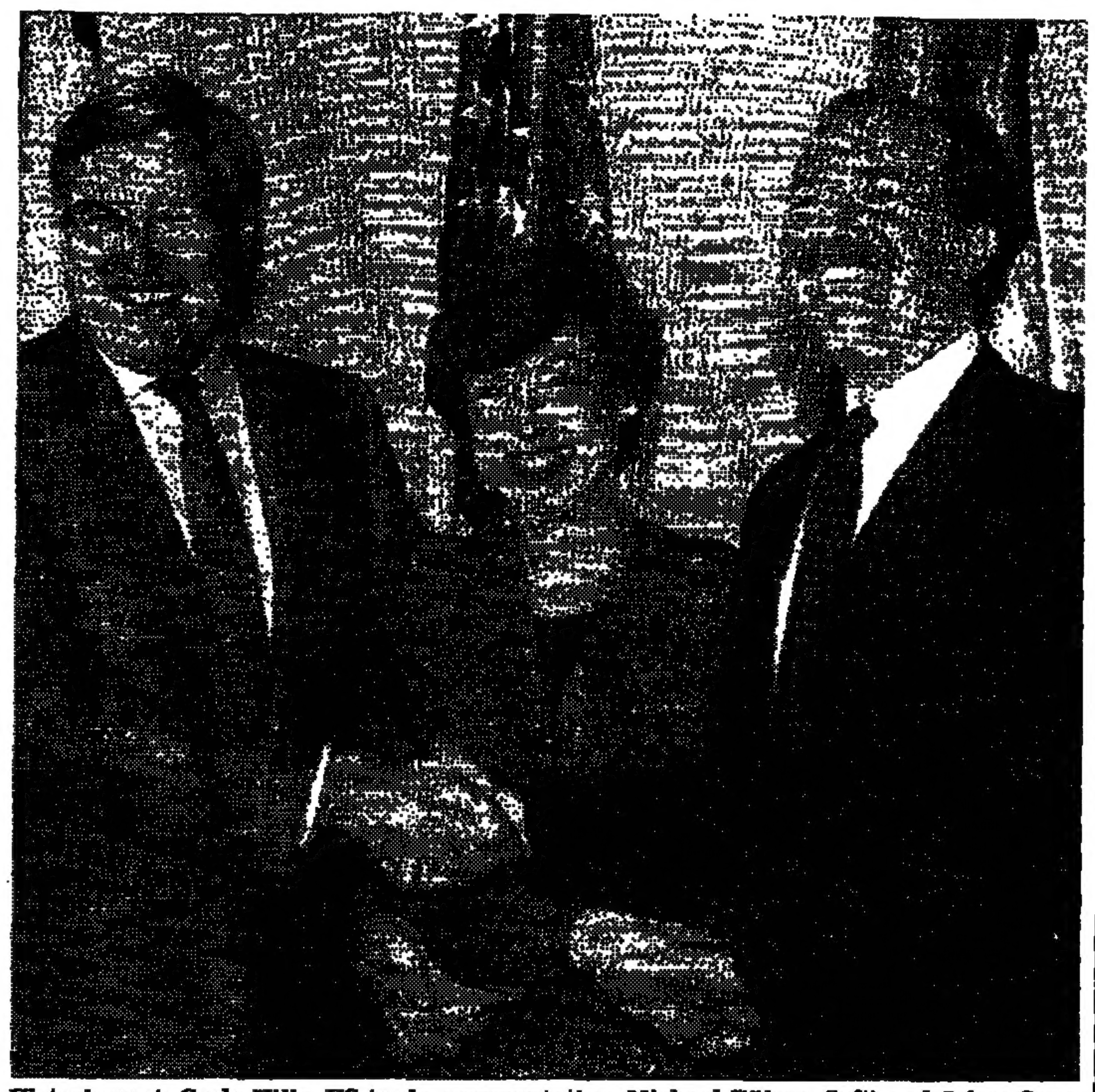
- Mexican needs create job-making pact
- Trade set to inch up US political agenda

Page 8

- Editorial Comment: From Yukon to Yucatan



Historic pact: Carla Hills, US trade representative, Michael Wilson (left) and Jaime Serra Puche, the Canadian and Mexican trade ministers, celebrate the end of lengthy talks

Calls for Bosnia to come under UN protection

By Judy Dempsey in London, Laura Silber in Belgrade and Michael Littlejohns in New York

CROAT and Serb leaders yesterday called for Bosnia-Hercegovina to be made a United Nations protectorate, challeng*ing the republic's right to exist* as an independent state.

The proposal, made by Croatian president Franjo Tudjman, and supported by Mr Radovan Karadzic, head of Bosnia's Serbs, confirms persistent reports that *Croat and Serb leaders, despite* their own mutual hostility, are conspiring to carve up Bosnia.

"Croatia and Serbia want to take away all power from the legitimate government of Bosnia so as to divide the republic among each other," a western diplomat said.

Bosnia's Serbs, backed by the former Yugoslav federal army, control more than 70 per cent of Bosnian territory, while Croatia now controls a swathe of territory in Hercegovina, in the west of the former Yugoslav republic.

A resolution authorising "all measures necessary" to deliver humanitarian aid to Sarajevo and "other parts of Bosnia-Hercegovina" – UN shorthand for potential use of force – is expected to be passed today by a substantial majority in the Security Council. Last night Russia joined the US, Britain, France and Belgium in sponsoring the resolution. China is likely to abstain.

A second resolution, under the same sponsorship, would have the Security Council strongly condemning the practice of "ethnic cleansing", in which tens of thousands of Moslems have been forced out of the republic.

UN diplomats in New York said they would continue to oppose attempts by Croatia and Serbia to divide Bosnia – populated by Moslems, Serbs and Croats – into ethnically-based cantons.

But they conceded that the Serb policy of "ethnic cleansing" would make it easier for Croatia and Serbia to annex

Continued on Page 10

Serb forces switch prisoners; Refugee crisis, Page 2

German cabinet approves curbs on health spending

By Christopher Parkes in Bonn

THE GERMAN cabinet yesterday shrugged off widespread opposition to its planned health reforms and approved measures which could save the state-subsidised system more than DM11bn ($7.48bn) a year.

Coalition leaders approved the package put forward by Mr Horst Seehofer, the health minister, in spite of strike threats by doctors and dentists, a pledge from the Social Democrat opposition to use its blocking majority in the Bundesrat, and fears of constitutional complications.

The plan, which roused a storm of protest when first aired in June, will be given its first reading in the Bundestag on September 11.

It includes proposals for increased charges for patients totalling DM3.2bn a year. Economies on drugs, doctors' and dentists' fees and hospital charges are worth a further DM8.2bn.

Defending his scheme yesterday, Mr Seehofer said payments from health insurance funds were increasing at double the rate of contributions.

Bonn, which is also committed to a freeze on public spending until 1995, is expected to have to subsidise health care by more than DM10bn this year, compared with DM5.5bn in 1991.

The federal government has shied away from increasing employee contributions because reducing take-home pay would lead to union demands for higher wages to compensate for the loss, and thus to further inflationary pressure.

The package was "a bitter pill", Mr Seehofer said, but the alternative of increased insurance contributions was "politically wrong, economically dangerous and socially unjust".

An offer to use part of the savings to employ 13,000 more nurses cut no ice with his political and professional opponents.

The Social Democrat opposition threatened to deploy its blocking majority in the Bundesrat, or upper house, to bar increases in patient contributions and structural changes proposed in the minister's package.

Mr Karsten Vilmar, president of the federal doctors' association, said he could not exclude the possibility of strikes in protest at the changes. Dentists have already threatened action.

The reforms may also run into constitutional objections. Some government ministers suggested that plans to limit the number of doctors operating within the state-subsidised system might be

Continued on Page 10

UN will deploy 500 guards to aid Somalia relief effort

By Julian Ozanne in Nairobi

THE United Nations yesterday signed a breakthrough agreement with warlords in Somalia for 500 armed UN guards to be deployed within 21 days in the war-shattered capital, Mogadishu.

The Blue Berets' mission will be to help protect food distribution to millions of starving people in Somalia, where some 3,000 to 5,000 people are dying each week, according to Mr David Andrews, the visiting Irish foreign minister.

The agreement, signed after months of tense discussion with the factions in Somalia's 20-month civil war, removes the final obstacle to a massive relief effort in the famine-plagued nation.

Troops from Pakistan, Indonesia, Egypt and Canada, already *on standby, could be sent to* Somalia before the end of the month once the UN Security Council gives the final go-ahead. The military force will ensure security for food distribution, which has been hampered by banditry, looting and hijacking of food convoys by gunmen.

The agreement was signed yesterday at Bardere, 200 miles west *of Mogadishu, by Mr Mohamed* Sahnoun, the UN Secretary-General's special representative in Somalia, and General Mohamed Farrar Aideed, leader of the Somali National Alliance, a loose coalition of four clan-based factions.

The agreement provides for the 500 troops to secure Mogadishu airport and harbour and to guard the transport of food to warehouses and distribution points within the city. There is as yet no agreement for the UN guards to escort food convoys outside Mogadishu.

Mr Sahnoun, who flew into Nairobi from Bardere yesterday, said deployment of the troops "should not take more than two to three weeks maximum and I hope it will take less than that." He stressed that the UN mission *would be purely humanitarian.* "We cannot, as the UN, ensure law and order all over Somalia. To do that we would need thousands of troops," he said.

Gen Aideed has previously been nervous that the presence of foreign troops would undermine his military advantage over rival warlord, Mr Ali Mahdi Mohamed, observers say.

Mr Sahnoun appealed yesterday for massively increased aid and said UN agencies and non-governmental organisations such as the Red Cross were so far only sending a quarter of the minimum monthly food needs. "Let us organise a couple of airlift operations as we did for Ethiopia in the 1984-85 famine," he said.

Yesterday both Mr Sahnoun and Mr Andrews paid tribute to the efforts of non-governmental organisations and made veiled criticism of the World Food Programme and other UN agencies for continuing to hide behind the danger factor and not act fast enough to deliver food.

Mr Andrews said the devastation and dying he saw in Somalia was appalling. "It was like as if somebody dropped an atom bomb, the end of the world, a *land that God has forgotten,*" he said.

The minister said he would meet Mr Douglas Hurd, the British foreign minister, today and press on him the need to double European Community food aid to the country. He said 500 UN guards was not enough but it was a beginning.

CONTENTS

Funds show surge out of Germany

By Christopher Parkes in Bonn

GERMANY'S long-term capital account deficit increased almost eight-fold in June because of a surge in demand for foreign securities, the Bundesbank said yesterday. The swing resulted in net capital exports during the month of DM6.7bn (£2.37bn) compared with a net inflow of DM1.9bn in May.

Some observers suggested the rise in the long-term deficit – to DM7.43bn from DM933m in May – was caused by investors shifting funds abroad to escape a 30 per cent tax on investment income, to be introduced next January.

But others pointed out that the surge, of which DM4.2bn went into D-Mark-denominated bonds issued by foreign banks, coincided with an increase in such issues. They noted that the June deficit a year earlier was DM10.29bn.

Total long-term capital outflows for the first six months of the year were only DM27bn, compared with DM40bn in the comparable part of 1991.

Clearer indications of the impact of Germany's new withholding tax, which was widely expected although only approved in July, should appear over the next few months.

However, the government is clearly anxious about the possibility of accelerating capital flight to countries with no or less rigorous taxes on investment earnings. Mr Theo Waigel, finance minister, appealed recently to the European Commission to prepare proposals for harmonisation.

Bonn introduced its new rules reluctantly after a ruling from the constitutional court which demanded that all income should be taxed on the same basis.

Provisional figures issued by the independent central bank yesterday showed Germany's overall capital account surplus in June shrank to DM4.99bn from DM8.75bn in May, and compared with a deficit of DM613m in June last year.

Government is anxious about possibility of sharper outflow

The May surplus was corrected from a provisional DM6.3bn because of a heavy revision of the short-term balance.

● Chancellor Helmut Kohl said yesterday he was sure economic growth next year would exceed 3 per cent after a 2 per cent increase in gross national product in 1992.

Meanwhile, the federal statistics office confirmed the slowdown in west German inflation. Consumer prices in July were 3.3 per cent higher than a year earlier. The consumer price index stood at 115.2 (1985 = 100).

However, the cost of services, which have been hit by relatively high wage awards, is still increasing above the average rate. Motor repairs were 8 per cent dearer than a year ago. Bread, beer and rents were up by about 5 per cent.

Bundesbank stands by inflation policy

By David Waller in Frankfurt

THE Bundesbank's vigorous anti-inflation policy is in the best interests of the German economy and will contribute directly to the hoped-for economic upswing in the country's east, according to a member of the German central bank's policy-making directorate.

Responding to criticisms from Mr Franz Steinkühler, head of the IG Metall trade union earlier this week, Mr Johann Wilhelm Gaddum said in Frankfurt that the Bundesbank's stability-orientated monetary policy was far from being hostile to jobs and employees.

On the contrary, he argued, stable prices could only help to promote a "crisis-proof economic recovery" in the eastern part of Germany. If the policy were relaxed, those on normal incomes or living on savings would suffer most of all, Mr Gaddum said.

His comments follow Mr Steinkühler's denunciation of the Bundesbank's "unrestrained power" and "extensive and excessive" attention to inflation. Mr Steinkühler said high interest rates, while aimed at reducing the growth in money supply, often had the effect of hitting companies' solvency and ability to invest and were retarding recovery in the eastern part of Germany.

Industrial building orders fall in west

By Our Bonn Correspondent

THE west German construction industry this week reported its first fall in new orders since March last year. A 13 per cent slump in contracts for commercial and industrial building during May "could indicate possible economic weakening," said Ms Irmgard Schwaetzer, construction minister.

An overall drop in construction orders of 0.4 per cent during the month contrasted with a 4.7 per cent increase in the first five months of the year.

While industrial orders nosedived in May, house builders reported a more comforting 4.3 per cent rise in demand and civil engineers claimed an 8 per cent increase, according to a ministry review.

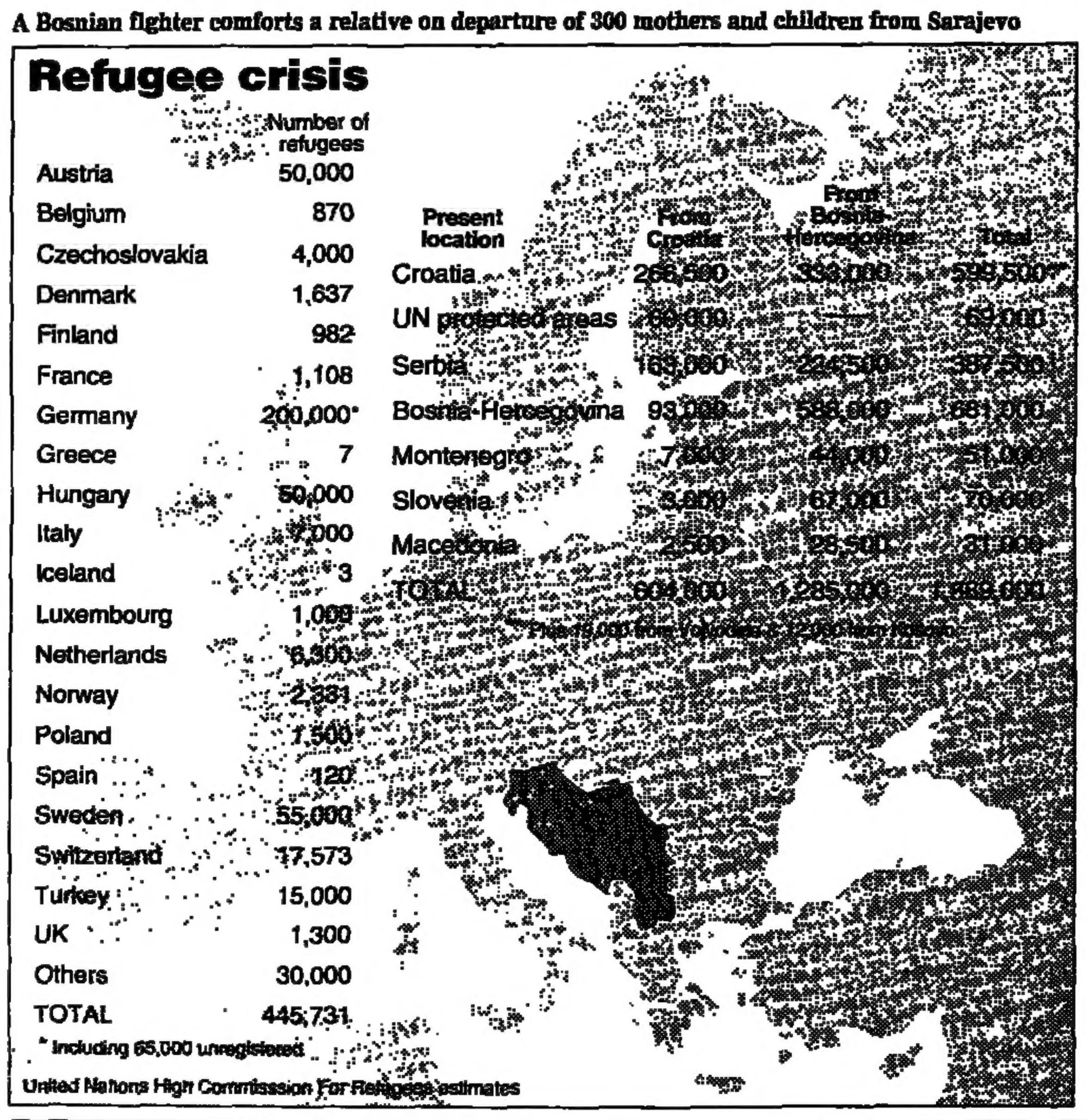
According to a separate study from the HDB industry association, total May orders fell a real 0.9 per cent – the first year-on-year decline since March 1991.

The figures underline the loss of confidence throughout west German industry, most of which is still waiting for the forecast upturn in foreign demand. Unemployment among western construction workers is now around 9 per cent, compared with 6 per cent overall.

Meanwhile, the building boom in the east continues. Total construction orders were up 77 per cent in May compared with a year earlier. The increase has slowed since the 89 per cent rise in March.

A Bosnian fighter comforts a relative on departure of 300 mothers and children from Sarajevo

Refugee crisis



	Number of refugees
Austria	50,000
Belgium	870
Czechoslovakia	4,000
Denmark	1,637
Finland	982
France	1,108
Germany	200,000*
Greece	7
Hungary	50,000
Italy	7,000
Iceland	3
Luxembourg	1,000
Netherlands	6,300
Norway	2,331
Poland	7,500
Spain	120
Sweden	55,000
Switzerland	17,573
Turkey	15,000
UK	1,300
Others	30,000
TOTAL	445,731

* Including 65,000 unregistered

Present location	From Croatia	From Bosnia-Hercegovina	Total
Croatia	266,500	333,000	599,500
UN protected areas	69,000	—	69,000
Serbia	163,000	224,500	387,500
Bosnia-Hercegovina	93,000	588,000	681,000
Montenegro	7,000	44,000	51,000
Slovenia	3,000	67,000	70,000
Macedonia	2,500	28,500	31,000
TOTAL	604,000	1,285,000	1,889,000

Plus 15,000 from Vojvodina & 12,000 from Kosovo

United Nations High Commission For Refugees estimates

Serb forces switch prisoners to beat Red Cross checks

By Frances Williams in Geneva

BOSNIAN Serb forces are moving prisoners out of camps in Bosnia-Hercegovina ahead of impending visits by the International Committee of the Red Cross, in a bid to give the impression of better conditions, a senior US official said yesterday.

Mr John Bolton, assistant Secretary of State for International Organisation Affairs, said in Geneva that it was essential to ensure the ICRC had immediate and unimpeded access to detention camps before transfers of prisoners became more widespread.

Earlier this week, following an international outcry over conditions in the camps, the Bosnian Serb leadership said it would open more detention centres for ICRC inspection.

Mr Bolton said the US had "indications", independent of press reports, that "Bosnian Serb forces have been moving prisoners in an effort to decrease crowding and improve the appearance of camps which may be visited by the ICRC". It was important that the ICRC saw the actual conditions in the camps, including those held by other parties in the conflict.

Mr Bolton was in Geneva for an exceptional two-day session of the UN Human Rights Commission on human rights abuses in ex-Yugoslavia, which begins today.

A US-drafted resolution to be put to the Commission includes a demand for the ICRC to be granted "immediate, unimpeded and continued access to all camps, prisons and other places of detention" in the former Yugoslavia.

The resolution also calls for appointment of a special rapporteur to investigate human rights violations in the region and report back, with recommendations, to the Human Rights Commission and the Security Council by August 28. Mr Bolton said it was essential to have an objective, unbiased, multilateral investigation to sift allegations made by all sides and to make the facts public. The ICRC, by contrast, works behind the scenes to help conflict victims and prevent human rights abuses where it can.

Based on the rapporteur's report, the US would be willing, in the Human Rights Commission and elsewhere in the UN, "to consider additional steps", Mr Bolton said. This could include the stationing of human rights monitors on the territory of the former Yugoslavia, as proposed by Mr Max van der Stoel, the UN human rights investigator for Iraq.

Refugee gaffe places UK presidency under fire

By Our Foreign Staff

A ROW over Britain's deportation of some refugees fleeing from the former Yugoslavia seem likely to add to irritation in other European capitals about UK policies during its EC presidency.

Britain's Foreign Office yesterday admitted embarrassment over action by the Home Office, which handles immigration policy, to send back to other European countries this year 36 Yugoslavs seeking asylum in the UK.

The United Nations High Commission for Refugees called on Britain yesterday to stop the deportations.

British diplomats are worried that apparent insensitivity over Yugoslav refugees may hamper the UK's ability to give a lead in other EC policy areas.

There is particular concern about adding to resentment in Germany - which is playing host to 200,000 refugees - about an unequal sharing of the burdens caused by the Yugoslav war. This is "a very sore issue for them [the Germans]," one UK official said yesterday.

Baroness Chalker, the UK overseas development minister, yesterday met Mr Charles Wardle, the Home Office minister, to point out the diplomatic repercussions of the deportations. One UK official said there had been "a fairly brisk exchange of words with the Home Office."

Mr Wardle did his best to play down the affair, pointing out that 2,000 Yugoslav applications for refugee status were under consideration.

Only applicants who had spent a considerable period of time in another country before coming to Britain would be removed, he said.

The Home Office added that, of the 36 deportations this year, only eight had taken place in July, instead of the 36 first reported.

Austria and Hungary, the two countries most affected by refugees, yesterday intensified their calls for European solidarity. "We want an equitable share of this problem. Hungary is already overstretched," the foreign ministry in Budapest said.

"All European countries must take their share of the refugees," an Austrian foreign ministry official said, expressing surprise at Britain's treatment of refugees.

Signs of general vexation over Britain's handling of the EC presidency have appeared above all in the German press. Recent articles have complained about UK determination to give priority to British interests.

Bonn, however, has distanced itself from the criticisms. France, which has also come under fire from Germany for its relative inactivity over Yugoslav refugees, has not joined in any noticable anti-British sniping.

Members of the European parliament were fiercely critical of the British presidency at their meeting on the Yugoslav crisis on Monday, asking if the British government was up to the task it had been set.

But British diplomats point out that the EC presidency will always have difficulty in reconciling the conflicting demands of presidential impartiality and national interest.

One senior British diplomat pointed out yesterday that the presidency's ability to change the course of Community affairs was limited: "A presidency can move the boat within the stream, and in that case it has some influence over the direction of the boat. But if it goes out of the mainstream, as the Dutch did this time last year [with unpopular proposals on political union], then it runs aground. I don't think we've run aground."

The EC is stepping up efforts to make sure that the embargo on trade with Serbia and Montenegro is tightly enforced, Andrew Hills reports from Brussels.

The Commission yesterday tabled a plan to ensure that EC exports to other former Yugoslav republics reach their destinations and are not diverted to the two republics under embargo.

Under the plan EC exports to ex-Yugoslav republics will be subject to a triple control. Exporters will not receive the usual export licence, unless they have an import licence and a commitment from the local authorities to check that the goods are delivered. If they cannot provide proof of delivery then new export licences will not be granted. It is hoped the rules will come into force on Monday.

Swiss negotiators confident IMF board seat within reach

By Ian Rodger in Zurich

SWISS finance ministry officials remain optimistic about completing the formation of a group within the next few days that would be large enough to claim a seat on the board of the International Monetary Fund.

The ministry had hoped to complete negotiations with potential partners by the end of last month, but was unsuccessful. The group must be formed before the next meeting of the IMF rules committee, expected to take place during the last week in August, if it is to have a chance of claiming a seat this year.

Switzerland applied to join the IMF and World Bank last May after a national referendum approved the move. The country's eagerness to gain a seat on the board has irked some other members who fear being displaced. Also, the US has strongly opposed increasing the number of seats to accommodate the Swiss.

The Swiss finance ministry this week denied claims in the Swiss media that it had offered to pay the SFr54.8m (£21.7m) IMF subscription fee of Tajikistan in return for the former Soviet republic joining its group. It said no secret payments would be offered.

The ministry confirmed that Switzerland was among a number of western countries that had been asked to give or lend money to help former Soviet republics pay their dues to the World Bank. Switzerland was currently considering lending between SFr800,000 and SFr1.5m to those countries of the Commonwealth of Independent States which wished to be members of the Swiss group.

Turkey and Poland are among other countries Switzerland is said to be courting.

Dockers clash with police at Dunkirk

By Alice Rawsthorn in Paris

FRANCE'S dock dispute yesterday took a violent turn with a demonstration outside a Dunkirk court where five dock workers were being tried for criminal damage. Police accused militant dockers of intimidating fellow employees.

Hundreds of dock workers gathered outside the court and clashed with police when news broke of the five being charged with causing damage to port property in connection with incidents at the weekend.

The demonstrators cheered when two dock workers were set free after being questioned by the police.

Yesterday's demonstration came after months of unrest at Dunkirk and other French ports where dockers have been protesting against new legislation which cuts jobs and changes employment conditions radically. The laws are intended to modernise the labour system by phasing out the union-run practice of hiring dockers on a casual basis by making them salaried employees.

● French unemployment continued to rise during the second quarter with sharp increases in lay-offs in the building and industrial sectors.

Boat engines face EC probe

THE European Commission is to look again at imposing duties to prevent "dumping" of cheap Japanese outboard motors in the EC, reports Andrew Hill from Brussels.

European manufacturers fearthe price of Japanese imports is bound to drop once existing anti-dumping measures expire as announced by Brussels at the end of last year.

Despite the original protection, Japan's share of the EC market for outboard motors has risen from 35 per cent to 42 per cent between 1988 and 1991, while the EC share has dropped from 28 per cent to 21 per cent.

Pressure mounts in Russia for change of course

Gaidar: under attack

By Leyla Boulton in Moscow

A GROUP of arch-conservative managers of large Russian enterprises are expected to call today for a reversal of government economic policies at a time when opponents of Mr Yegor Gaidar, the acting prime minister, are setting a date for his removal.

The Industrial Union, a parliamentary faction headed by Mr Yuri Gekht, who has long opposed the government's radical reforms, has invited 2,000 plant managers to Moscow to endorse an alternative reform agenda and demand a new government.

Claiming the present cabinet's policies will bankrupt "most enterprises", they want more support for heavy industry and state farming, more credits from the central bank, wage increases, price controls and the maintenance of a 10-year ban on the resale of farm land.

Mr Arkady Volsky, head of the bigger Union of Industrialists and Entrepreneurs, who also has political ambitions, may speak at the meeting even though he considers his organisation to be more progressive than Mr Gekht's.

Significantly, a spokesman for President Boris Yeltsin went out of his way yesterday to stress that the Russian leader would not attend - as if to distance his boss from this particular industrial lobby.

Mr Yeltsin, on holiday, has given no hint he plans further cabinet changes, but he is under increasing pressure to abandon radical reforms. He also feels let down by the west which has so far delivered less assistance for his reforms than he had expected when he launched them.

An assistant to Mr Alexander Rutskoi, the vice-president, who believes a new government is needed, predicted yesterday there would be a change of cabinet on September 20, when Mr Yeltsin returns from a trip to Japan and parliament reconvenes.

The Civic Union, a centrist grouping of three opposition parties headed respectively by Mr Rutskoi, Mr Volsky, and Mr Nikolai Travkin, a worker turned politician, also plans to present the government with an ultimatum in mid-September to either resign or change course.

● The Russian government has drawn up contingency plans for electric power cuts for the 12 months beginning October 1, Itar-Tass news agency said yesterday, Reuter reports from Moscow.

Tass said the plan envisaged possible cuts of up to 25 per cent of overall daily consumption. Cuts could also reach 30 per cent at times of peak demand.

"This has been done to ensure the stable work of power systems if critical shortages of electricity arise," it said, quoting the deputy chairman of the electric power committee.

The report gave no explanation of why power cuts may be needed. But general chaos in the Russian economy, shortfalls in energy production and cutbacks in nuclear power development have all taken their toll.

Mr Eduard Shevardnadze, leader of Georgia and former Soviet foreign minister, yesterday signalled his intention to use force against rebels holding his interior minister hostage, reports John Lloyd from Moscow.

The move comes after the collapse of an offer of reconciliation - rejected on Tuesday - and is prompted by the increasing impatience of the Georgian military and security forces with Mr Shevardnadze's previous efforts to avoid using violence against the supporters of former President Zviad Gamsakhurdia.

Mr Roman Zventsadze, the interior minister, was captured in the city of Zugdidi - a stronghold of the Gamsakhurdia supporters - together with an aide of Mr Shevardnadze and other officials.

In a midnight address to the nation, Mr Shevardnadze, known for his emotive language when foreign minister, said "I think that right now the question of 'to be or not to be', whether good or evil will win out, will be resolved. I will work with you (the people) and fight to overcome the forces of evil."

He claimed to have "failed" in underestimating the capacity for malice of the rebels - and disclosed that he had offered to resign as head of the ruling State Council - an offer refused by his colleagues.

A botched coup attempt by the rebels involving the capture of the main TV station was put down last month when troops stormed the building.

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NORTH AMERICAN FREE TRADE AGREEMENT

Mexican needs create a job-making pact

By David Dodwell, World Trade Editor

THE SEEDS of yesterday's Nafta agreement were sown at the end of 1989 as Mexican President Carlos Salinas de Gortari travelled from Europe empty-handed after a disappointing tour aimed at raising foreign investment.

He had won praise for economic reforms he had initiated, but won few pledges of investment. His first overtures to US President George Bush on a Nafta came just days after flying back to Mexico City.

Nafta's origins are important to recall, as European and Asian trading partners wring their hands over whether the agreement will create a "Fortress America" in a world increasingly divided by trade blocs. While there are worrying protectionist elements to the agreement – most conspicuously in cars, textiles and sugar – it would be wrong to conclude yet that it pushes the US down a slippery slope towards protectionism.

President Salinas's aims could not have been further from those of protectionism. He aimed to use the agreement to lock in the Mexican economic reforms of the past seven years. More important, he wanted the agreement to act as a magnet for urgently-needed foreign investment – not just from the US, but also from Europe and Asia.

Already, these aims have borne fruit. In the first half of 1992, foreign investors brought \$5.52bn into Mexico – an increase of 3.8 per cent over the first half of 1991.

For all of 1991, \$10bn flowed into Mexico, double the 1990 level, according to the Mexican trade ministry. The US is the leading foreign investor, accounting for over 60 per cent. Britain ranks second, with a 6.5 per cent share, and Germany follows with 5.8 per cent. Canada ranks ninth.

Nafta could be seen as a first step to a wider trading region encompassing all the Americas

When Mr Salinas took office in December 1988, he set a goal of \$24bn in foreign investment for his six-year administration. By late June, just over halfway through his term, \$23.31bn or 97 per cent of the target had been met.

President Bush's agenda has always been more complex. He sought security in Central and South America; he sought to enhance US business competitiveness in the face of increasing Japanese success in the US; he sought to boost US exports. Nafta could be seen as a first step to a wider trading region encompassing all the Americas.

Business leaders in the US – particularly those in the politically important western and southern states, such as California and Texas, which border Mexico – have been enthusiastic supporters of a deal: "The North American Free Trade Agreement is a match made in heaven," said Arizona's Republican Congressman Jim Kolbe.

But the northern car-making states of Michigan and Ohio, and the textile-producing states, have had strong reservations. Both fear jobs will be lost to Mexico as companies relocate south of the border. They fear Mexico will be used as a springboard for cheap Asian imports to the US. Mr Bush's advisers have told him the deal will generate more jobs than it will lose, and that there will be significant gains in exports to Mexico. A study by the Institute for International Economics in Washington predicted a net gain of 130,000 jobs for the US by 1995, and of more than 600,000 for Mexico. Exports would be boosted by \$16.7bn.

These figures, plus polls indicating the agreement will be a vote-winner in the US presidential election in November, underpinned the intensive spurt of negotiations during the past two weeks. They give Mrs Carla Hills, US Trade Representative, an important role in Mr Bush's re-election campaign.

US domestic political forces have driven the timetable to a Nafta agreement, but it would be wrong to conclude that its aims are overridingly protectionist – even though it panders to powerful domestic industrial lobbies. Only 42 per cent of total US, Canadian and Mexican exports stay within the proposed Nafta, and only 28 per cent of US exports went to Mexico and Canada in 1991 – proportions likely to change only slowly once the agreement comes into force in 1994.

US officials have argued consistently that successful completion of a Nafta could not be seen as a substitute for the wider objective that still eludes Mr Bush – successful completion of the Uruguay Round of talks on world trade liberalisation. Indeed, they have argued that a Uruguay Round agreement will underpin the Nafta.

See editorial comment

Trade set to inch up US political agenda

By Jurek Martin in Washington

INTERNATIONAL trade, above all Nafta, is an issue which has never quite taken off in this year's long primary and presidential campaigns. Yesterday's signing of the agreement threatens to change that, for the moment at least.

President George Bush will be able to proclaim Nafta as another example of his international statesmanship, conveniently obscuring the fact that his administration has been unable to bring to pass a successful conclusion of the broader Uruguay round of trade negotiations.

Coming on top of recent summits with the Russian and Israeli leaders and with Middle East peace talks about to resume here, the image of a president on top of foreign affairs can be presented to offset the lack of solutions to what is happening in the Balkans and with Saddam Hussein in Iraq. Yet the biggest plus for Mr Bush may be in the extent to which Mr Bill Clinton, his Democratic opponent for the presidency, is caught on a political hook on which he can only wriggle.

Yesterday Mr Clinton issued statements almost identical to his last pronouncement on Nafta two weeks ago. He reserved judgment on the treaty itself, pending study of its details and whatever emerges from Congressional hearings. But he repeated that he would support it "so long as it provides adequate protection for workers, farmers and the environment on both sides of the border." He added that "we must have strong transition strategies that ensure workers benefit from a more open world trading system."

Mr Clinton has been trying to reduce the Democratic Party's dependence on those of its constituent parts, such as organised labour, which have long been associated with outright protectionism. To this end, he began his quest for the White House by supporting the Nafta goals and the "fast track" approach to it, whereby Congress can only vote on the agreement, not amend it.

The failure of Mr Clinton's *Democratic opponents*, and of Mr Patrick Buchanan on the Republican side and Ross Perot, the defunct independent, proved protectionism had only limited political appeal in the primaries. But as the Nafta negotiations have moved to a climax, opposition to it, concentrated in the Democratic Party, has become more focused and vocal.

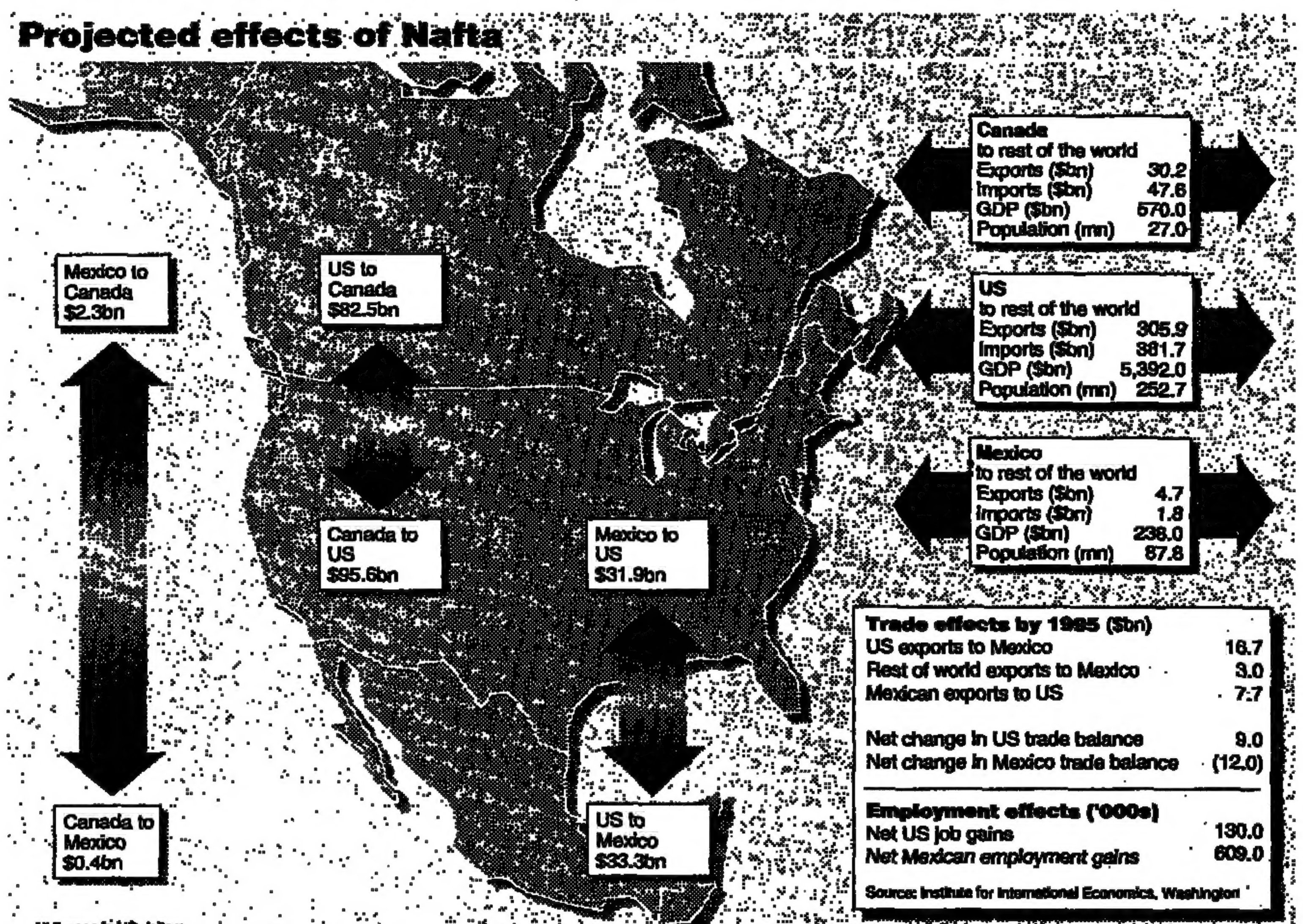
In particular it has brought back to the fore Congressman Richard Gephardt of Missouri, who ran for the Democratic nomination four years ago on a blatantly protectionist platform. Some of Mr Gephardt's criticisms of Nafta have reportedly been run past Mr Clinton.

Mr Clinton still felt free two weeks ago to condemn "the outdated rhetoric of both the free traders who are oblivious to workers and the environment and the protectionists who ignore the benefits of expanded world trade." He associated Mr Gephardt with the same sentiments.

This is a fine line to walk and further qualification of his earlier stand invites not only Republican attack. In a recent editorial entitled "a test of Mr Clinton's backbone," the New York Times wrote that he "will have to choose between the protectionist policies of old and *his own campaign promises.*"

In theory Mr Clinton can wait, since Congress will not vote on Nafta until next year. He may try to confine himself to promising to change what he does not like if he becomes president. His opposition and the media are unlikely to allow him that luxury.

Projected effects of Nafta



All figures in US dollars

US - Mexico trade: fast growth sectors

	US exports to Mexico 1990	US imports from Mexico 1990	Total two-way trade 1990	Projected two-way trade** 1995
Autos and auto parts*	\$3.4bn	\$4.9bn	\$8.3bn	\$20.8bn
Textiles and apparel	\$0.9bn	\$0.7bn	\$1.6bn	\$5.0bn
Steel products	\$0.5bn	\$0.2bn	\$0.7bn	\$1.5bn

Source: Institute for International Economics, Washington. *1989 figures, **with NAFTA

World wary of Fortress America syndrome

By David Dodwell, World Trade Editor

MENTION Nafta, and it is likely that "trade blocs" or "Fortress America" will be mentioned in the same breath.

Countries outside the region have been concerned – as they were with the creation of Europe's single market – that it may foster protectionism. But the Nafta text does not yet tell us whether these fears are justified.

In so far as the agreement aims to protect US car makers and textile manufacturers, or carve out the Mexican market as the preserve of US exporters, then exporters in Asia and Europe have genuine cause for concern. If US corporations divert investment planned for the Pacific region into Mexico, then that will be a loss which emergent Asian economies may wring their hands over.

THE VIEW FROM OVERSEAS

But if it simply makes US manufacturers more efficient and competitive, and makes Mexico a more prosperous country, then the agreement may provide important net gains to the world economy.

From Geneva, the General Agreement on Tariffs and Trade (Gatt) yesterday hailed the accord as "a major development within the world economy and international trade."

But in Tokyo, where industrialists see themselves as potential victims of a Nafta agreement, yesterday's announcement was greeted with caution. The Ministry of International Trade and Industry (Miti) view is that if the accord is "Gatt-consistent" and "trade creating," Japan will have no problem. But government advisers fear Nafta will not be Gatt-consistent.

Specifically, the Japanese are concerned about local content restrictions in the car industry, a concern heightened by the US-Canada dispute over the local content of Hondas.

Asia's textile and garment exporters may also have cause for concern. The "yarn forward" agreement in Nafta means garments made by non-north American companies based in Mexico will have to source everything from north American suppliers.

The Caribbean economies are without exception heavily dependent on the US market, and fear Mexico's gains could be at their expense. Close behind is Latin America. All are pressing the US hard for free trade agreements that mirror that agreed with Mexico, and will be concerned that there is no "docking clause" in the Nafta text which allows speedy accession to Nafta.

Provisions to get close scrutiny by Congress

THE worker retraining and environmental provisions of Nafta will receive the closest scrutiny when the pact is sent to the US Congress, writes Nancy Dunne in Washington.

The US administration is stressing the pact's job-creation potential and predicting that the total of 600,000 US workers who now owe their jobs to Mexican exports will swell to 1m by 1995.

Mr Mark Anderson, US labour spokesman on Nafta, unsuccessfully urged that the pact, which included intellectual property rights, could *include health and safety standards* and labour rights.

JOBS AND THE ENVIRONMENT

The negotiators listed "sustainable development" as one of *Nafta's primary goals*. The complete text has not yet been released, but the administration says it maintains health, *safety and environmental standards*. It permits parties to impose stringent standards on new investments and to *require environmental impact* statements. It allows dispute settlement panels to call on scientific experts for advice but *does not accede to the labour* movement's demands to play a stronger role in environmental dispute settlement.

The environmentalists, and their powerful allies in Congress, will urge the inclusion of a funding source to pay for *clean-ups, worker retraining* and border infrastructure.

Mr John Adams, executive director of the US Natural Resources Defence Council, said yesterday that, although the pact contains "some positive features", it lacks sufficient measures to protect the environment. The US-Mexico border environmental plan, for example, prescribes helpful bi-national co-operation but has "no binding connection to the trade agreement, few concrete initiatives to clean up and prevent pollution, and incomplete strategy to fund environmental monitoring, enforcement and infrastructure."

More scope for exporting from US to Mexico

THE agreement in the car sector is intended to increase car companies' ability to export from the US and Canada to the rapidly growing Mexican market, while committing those companies to raise production in Mexico, write Damian Fraser and Bernard Simon.

The agreement also makes it harder for non-Nafta car companies to operate in the North American market. The regional content rule, which car makers will have to meet to avoid tariffs or fines, has increased from 50 per cent in the US-Canada agreement to 62.5 per cent for cars and 60 per cent for components in the new accord.

The 62.5 per cent content rule will be phased in over *eight years. If manufacturers* fail to meet the 62.5 per cent origin rule, they will have to pay tariffs. Nissan, which has a *large plant in Mexico, will find* it harder to meet this rule of origin; Volkswagen, also with a significant Mexican plant, is *aiming to meet this requirement* within a few years.

Of some relief to foreign car makers, and an achievement *for Canada in the Nafta deal*, appears to be a new set of rules for calculating local content in the auto industry.

Mr Michael Wilson, *Canada's* international trade minister, said yesterday that the Nafta rules would retroactively settle *the high-profile dispute over* exports of Ontario-built Honda cars to the US. The US Customs Service had alleged this year that, according to its method of calculating local content, the Honda plant failed to meet the 50 per cent local content required under the 1989 US-Canada free trade agreement for duty-free access.

According to an official of the Canadian Motor Vehicle Manufacturers' Association, the Nafta rules will in general adopt the "all or nothing" approach by which, if individual parts of a car meet the 62.5 per cent threshold, they will be counted as wholly manufactured in North America.

AUTOMOBILES

Mexico's decision to bow to US pressure for a higher local content rule was made in return for being able to phase out, rather than abolish, its own decree on the matter.

In return, the US has agreed to reduce the "chicken tax" on vans imported from Mexico, from 25 per cent to 10 per cent *in the first year. After five* years, the tax will be eliminated.

Also, after three years, *Mexico will be considered* North American under the Corporate Average Fuel Economy Act (Cafe), which now present *discourages US manufacturers* from importing small cars from Mexico.

The result, within 10 years, will be free trade in cars in the Nafta region, and discrimination against non-Nafta producers.

Pemex open wider but not for sale

MEXICO'S energy sector has emerged from the Nafta negotiations largely unscathed. The Mexican government will not privatise Petróleos Mexicanos (Pemex), while US and Canadian oil companies will not be allowed to explore for oil, operate refineries, nor open petrol stations, in Mexico, writes Damian Fraser in Mexico City.

The US also appears to have been unable to compel Mexico to offer it a guaranteed supply of oil.

Even so, Mexico has agreed to open 50 per cent of the procurement by Pemex and the Federal Electricity Commission to US and Canadian companies in the first year, increasing to 70 per cent over eight years and with no reservation after 10 years.

OIL AND GAS

Such companies will receive cash payments for their work, rather than a percentage of the oil they find. However, the Mexican government has agreed to allow "performance" contracts, where contracted companies receive bonuses if they strike oil.

Pemex plans to invest \$20bn from 1990-95, most of it in exploration, drilling and new refineries.

Mexico has agreed to open all but a handful of petrochemicals to foreign investment, and will allow foreign gas companies to sell gas directly to Mexican industrial companies, under the supervision of Pemex.

The accord abides by Mexico's nationalist constitution and so will be hailed as a victory by President Carlos Salinas de Gortari of Mexico and his negotiators. However, US and Canadian oil and gas companies will be able to increase their business in Mexico if the treaty is implemented.

Disagreements subjected to speedy conciliation

THE Nafta agreement's mechanism for settling trade disputes builds on what has become one of the most successful elements of the 1989 US-Canada free trade agreement (FTA), writes Bernard Simon in Toronto.

It also proposes several important changes, however. *The binational panels empowered* to review anti-dumping and countervailing duty decisions will be extended to cover *complaints by Mexican companies*.

This is a big concession by the Mexicans because the panels *will replace judicial review* by the Mexican courts.

Another departure from the FTA is the creation a Nafta Trade Commission. *Prior to* any panels being set up, disputes will have to be referred to the commission, which is to use "*good offices, mediation*, conciliation or other means of alternative dispute resolution" to find a solution.

Only if the commission fails to hammer out an agreement will a binational panel be set up.

Unlike FTA practice, where all panel members are either US or Canadian officials, the Nafta provides for trade or legal experts from non-Nafta *countries to be on the roster of* potential members.

DISPUTES PROCEDURE

In a further pursuit of impartiality, each side to a dispute *will choose two members from* the roster supplied by the country of the other party. The president of the panel will be *chosen by mutual agreement* or by drawing lots.

One reason for the success of the FTA panels is that each *stage of dispute settlement is* subject to strict time limits. Nafta proposes an even speedier process.

A panel will be required to provide a confidential initial report within three months of its selection.

Parties to the dispute will then have two weeks to submit their comments. The panel will have to issue its final findings within 30 days of the initial report.

The draft treaty allows for retaliation against a country which refuses to implement a panel's recommendations or *fails to reach some other* agreement within 30 days of the panel's report.

Complainants will be *allowed to choose between* Nafta and Gatt dispute settlement procedures. Having chosen one, they may not use the *other*.

The draft Nafta agreement also provides *for* a committee to be set up to consider arbitra*tion procedures in disputes* between private investors and any of the three Nafta governments.

Sector's political sensitivity dictates protection levels

AGRICULTURE is perhaps the most politically sensitive sector in all three North American countries, *with each seeking* to maintain protection levels for key areas, write Damian Fraser and Bernard Simon.

The Americans have successfully gained 15-year transition periods for what powerful US *farm lobbyists consider their* most vulnerable crops, including sugar, citrus and other fruits and vegetables.

The Mexicans have agreed to eliminate import licences, which covered 25 per cent of US agricultural exports last year. However, *they* have acquired a 15-year grace period for corn, beans and powdered milk.

Under the treaty Mexico has been promised free sugar exports to the US after 15 years – a significant conces*sion given the current level of* protection for the US sugar industry.

In the first six years Mexico will be granted either its current quota of 7,258 metric tonnes, or the difference between Mexico's production and consumption, up to a maximum of 25,000 tonnes.

After year seven this limit will be increased to 150,000 tonnes, increasing by 10 per cent a year for the next eight years.

All export limits will be eliminated if Mexico is a net exporter for two consecutive years. Mexico is now a net importer.

In corn (maize) Mexico has achieved a similar deal. It will let in, duty-free, a quota of *2.5m tonnes in the first year*, growing by 3 per cent a year over the next 15 years. At the same time tariffs on non-quota *corn will start at more than 200* per cent and gradually fall over the 15 years. Similar arrangements govern Mexico's *imports of milk and beans*.

AGRICULTURE

The corn sector employs more than 2m Mexicans, most of whom are desperately poor. *Nevertheless*, the government has long maintained that the current method of protection – through import restrictions *and artificially high prices* – is inefficient, since it benefits the few rich farmers more than the poorer ones.

The Mexican government is likely to announce soon a targeted subsidy programme, where money will be directed almost *exclusively at the poorest corn farmers*.

Under Nafta Canada will be allowed to retain the non-tariff protection enjoyed by its dairy, poultry and egg producers. This consists of production quotas and subsidies, together with import quotas.

The "supply-management" system is coming under increasing pressure, however, as local food processors and Canada's trading partners push for the import barriers to be lowered.

Mexican government keen to increase competition

IT HAS been Mexico, rather than the US or Canada, that has made the most concessions in negotiations covering the financial sector, largely because its banking system is the most protected of the three, and because the Mexican government is keen to introduce more competition, writes Damian Fraser in Mexico City.

Mexico will increase, over seven years, the maximum market share for US and Canadian investors in banking from 8 to 15 per cent, and in securities from 10 to 20 per cent.

By the year 2000, both the US and Canada will be granted full treatment on an equal footing with the local banks.

The share any individual US or Canadian bank can acquire will initially be limited to 1.5 per cent of banking equity.

Mexico now limits foreign investment to 30 per cent in any individual bank, and 49 per cent in an insurance company.

FINANCIAL SECTOR

The concessions are unlikely to change Mexico's retail banking overnight. The market – with 18 banks – is already highly competitive, and the required investment substantial.

CS First Boston, in a report on Mexico's banking system, concluded: "The up-front costs which must be faced are huge and the risks of failure too high. We believe that the US and Canadian banks will not repeat in Mexico the mistakes some US banks made in Europe by pursuing a strategy of world-wide retail banking."

But CS First Boston reckons there could be a substantial increase in foreign market share in the wholesale market.

Mexico's large companies already have access to US banks when borrowing money, but the medium-size and smaller ones have to rely on Mexican banks, which earn generous spreads on their corporate lending. Foreign banks, perhaps in joint ventures with Mexican counterparts, could enter this market, driving down interest rates.

هكذا من الأصل

Bush interview underlines rift over abortion

By Jurek Martin, US Editor, in Washington

THE US Republican party's divisions over abortion were underlined on Tuesday night when President George Bush expressed much less hard-line opposition to it than does his party's platform committee.

In a television interview, Mr Bush was asked a similar question to that put to Vice-President Dan Quayle last month: What advice would he give his grand-daughter, should she become pregnant and want an abortion?

Like Mr Quayle, who was subsequently "corrected" by his wife, Mr Bush responded that, although he was offended by the very idea of abortion and would try to talk his grand-daughter out of it, the decision ultimately was hers and he would stand by her.

Mr Bill Clinton, the Democratic presidential candidate and a believer in freedom of reproductive choice, said he understood Mr Bush's position "as a grandfather". Other Democrats criticised it, charging that Mr Bush and Mr Quayle seemed to want rights for their own families that would be denied to others by a ban on abortion.

The president's comments, although repeatedly qualified by his campaign aides after the interview was broadcast, is in sharp contrast with both the sentiments and actions expressed by the party committee, preparing the platform for the Republican convention next week in Houston, and with many of Mr Bush's public pronouncements on the issue.

The committee overwhelmingly voted that the platform should again contain, as it has since 1980, a demand for a constitutional amendment banning abortion. It did so after an emotional debate in which many delegates recounted personal experiences with the consequences of abortion.

Many demanded there should be no exemptions to an outright ban, even in cases where pregnancy was the result of rape or incest.

Republican pro-choice advocates, increasingly vocal but outnumbered on the committee by the pro-life movement, conceded there was little chance of forcing a floor debate at the convention.

This can now only be achieved if a majority of the delegates from six states sign a motion to this effect.

However, a Washington Post poll of Republican delegates found 55 per cent opposing a constitutional ban and only 28 per cent in favour.

In his interview, Mr Bush said polls should never be considered in matters of conscience or when making a tough decision.

Elsewhere, the debate over "family values" continued to rage.

In California, the American Bar Association convention abandoned its previous neutrality and passed a motion pledging to fight any laws restricting the constitutional right to an abortion.

Mr Quayle attacked the ABA, charging that the country's trial lawyers were "in the pocket" of Mr Clinton. The convention earlier had given a warm welcome and an award to Professor Anita Hill, whose charges of sexual harassment against Judge Clarence Thomas, now in the Supreme Court, gripped the nation last year. Mr Quayle asserted that most Americans believed Judge Thomas, not Professor Hill.

In Washington, the Senate passed a family leave bill, providing up to 12 weeks of unpaid leave, but not for companies with fewer than 50 workers. This proposal, very close to the position advocated by Mr Clinton, is likely to attract a presidential veto, and thus becomeanother campaign hot potato.

● Congressman Ben Nighthorse Campbell won, on Tuesday, the Senate Democratic primary in Colorado to contest the seat being vacated by another Democrat, Senator Tim Wirth.

If he beats the Republican Mr Terry Considine in November, in what is predicted to be a close race, he will be the first full-blooded American Indian in the Senate.

Shenzhen share trading resumes

By Simon Holberton in Hong Kong

CALM returned yesterday to the streets of Shenzhen, the southern Chinese city which earlier this week witnessed the worst civil unrest on the mainland since the June 1989 democracy protests in Beijing.

An estimated 1m people went to the city on the Hong Kong border over the weekend to apply for forms letting them participate in a lottery for new shares to be issued on the local exchange. But allegations of official corruption in the distribution of the forms sparked a riot.

Share trading resumed on the Shenzhen stock exchange, after Tuesday's suspension, and is reported to have been orderly. The index of locally owned "A" shares fell 17 points to 294 while the index of "B" shares, owned by foreigners, declined by a more subdued 2.98 to 178.51.

China's other stock exchange, in Shanghai, saw the index of "A" shares fall by 9.5 per cent, following an 11 per cent slide on Tuesday. Traders said the movement was not connected with Shenzhen, but resulted from expanded market listings.

Foreign investors were sanguine about prospects for China's stock markets. One Hong Kong fund manager said yesterday the riot was "an unfortunate event but not one that was particularly worrying".

It is too early to say what implications the riot holds for China's economic reform movement, but Beijing's response has so far been controlled.

Hong Kong media reported that Lou Gan, secretary of the State Council, or cabinet, had arrived in Shenzhen to conduct an inquiry into the riot and the city's procedures for issuing new shares. It was also reported that Zou Jiahua, a vice-premier, had taken overall charge of co-ordinating the central government's response to the situation.

Zheng Liangyu, mayor of Shenzhen, said on Tuesday: "We won't deny there is imperfection in the current sales method, since we are in fact very inexperienced."

● China plans to set up a nation-wide computer clearing network to link banks in leading cities, and a computer trading and clearing system for stocks, Reuter reports from Singapore.

Li Ye, general director of the financial science and technology division of the People's Bank of China in Beijing, said the World Bank would provide a loan under its technical assistance programme. Computerisation is seen as a big step in China's financial reforms.

Inflationary pressure in US stays subdued

By Michael Prowse in Washington

US producer prices for finished goods rose 0.1 per cent last month and by 1.7 per cent in the year to July, indicating that inflationary pressures remain subdued, the Labour Department reported yesterday.

The figures were in line with forecasts in financial markets and followed a 0.2 per cent increase in producer prices in June.

Excluding prices of food and energy, which tend to be volatile, the "core" producer price index rose 0.2 per cent last month and by 2.5 per cent in the past year. It has held steady at this level for several months.

The moderation of wholesale price inflation was interpreted in financial markets as further evidence of an unusually lacklustre economic recovery. Most analysts expect it to feed through into lower consumer price inflation, which is running at an underlying rate of about 3.5 per cent.

Reuter adds: Mr Robert Dederick, an economist, said wholesale inflation was well in check. "The prolonged period of stagnation has caused a lot of pain, but there has been some payoff in the form of reduced inflation."

The tame inflation picture could give the Federal Reserve room to cut interest rates further to spur the economy, without fear of igniting new price pressures.

Fed policymakers are scheduled to meet again on Tuesday.

Britain's UN delegation to the United Nations listens without apparent enthusiasm to a Security Council address by the Iraqi ambassador, Abdul Amir al-Anbari

Sharp pick-up in NZ balance of payments

NEW ZEALAND'S balance of payments sharply improved in the year to March 31, which the Department of Statistics says is further proof of an economic recovery, writes Terry Hall from Wellington.

The country recorded a deficit of NZ$329m (US$179.8m) in the period, against a deficit of NZ$2bn for the previous year.

A department spokesman said the improvement had been driven by exports. A bigger improvement had been checked by increased imports, which was a sign of improving business activity.

While imports rose during the March quarter, exports continued to surge ahead and the trade surplus for the year to March climbed to a record NZ$3.55bn. However, the spokesman said overseas companies operating in New Zealand had added to the deficit by repatriating more money, indicating greater profitability.

Information collated by the department indicated that another record trade surplus was likely for the year to June.

However, in the March quarter the balance of payments slipped into the red for the first time for five years to a deficit of NZ$29m, against a surplus of NZ$247m in the same period last year.

The spokesman said the surprise deficit in the quarter again reflected an improving economy. Overseas companies operating in New Zealand boosted their profits to NZ$278m in the period, compared with NZ$154m in the December quarter and only NZ$39m in the September period.

US denies Iraqi troop build-up

By Roger Matthews

REPORTS from an Iraqi opposition group that President Saddam Hussein was again massing troops on the border with Kuwait were denied yesterday by the US.

The Supreme Council of the Islamic Revolution in Iraq issued a statement from its Damascus office claiming that tank, artillery and infantry battalions of the Republican Guard had been deployed in the Safwan area of the border.

"Our position is that the story is untrue," a spokesman for the Defence Department said in Washington.

Up to 5,000 US marines and other troops this week began manoeuvres with Kuwaiti forces expected to last for up to two months, with some of the war games taking place just to the south of Safwan. If the reports from Damascus had been correct the opposing forces would be almost within sight of each other.

Earlier, Maj Gen Robert Frix, the commander of the US forces in Kuwait, said the military strength available to him was more than enough to deal with any threat from Iraq.

The US had brought the manoeuvres forward by a month in response to increasing belligerence from Saddam Hussein brought to a head by his refusal to permit UN inspection teams to enter the Ministry of Agriculture in Baghdad. Although the Iraqi leader eventually climbed down he won nearly three weeks in which to remove evidence.

The inspectors yesterday completed a fourth day of searches, without obvious harassment by Iraqi officials.

NEWS IN BRIEF

Reward of $1.4m offered for Escobar

THE Colombian government is offering a $1.4m reward for the arrest of fugitive drug lord Pablo Escobar in a full-page advertisement which was due to appear in national newspapers yesterday, Reuter reports from Bogotá. The government has delivered for publication a "wanted" poster for Escobar, the Medellín cocaine cartel chief who embarrassed the authorities by escaping from his luxurious jail on July 22. Escobar, with the reputation of being one of the world's most dangerous criminals, is accused of leading a drug war on the state in 1989 and 1990 in which hundreds of policemen, judges, officials and civilians died.

Australia gives interest pledge

In an attempt to stem the slide of the Australian dollar, the government yesterday gave assurances there would be no further cuts in interest rates and that the 1992-93 budget deficit would be less than A$16bn (US$11.8bn), Emilia Tagaza writes in Canberra.

Speculation about a A$16bn deficit and of another cut in interest rates sparked heavy sales of the Australian dollar on Tuesday, which closed locally at a three-year low.

Thai general ousted

Thailand's interim government has replaced army chief Gen Wimol Wongwanich as state railway chairman, in its latest move to limit military power since troops killed scores of pro-democracy protesters in May, Reuter reports from Bangkok. The cabinet, meeting on Tuesday, appointed former finance minister Mr Suthee Singhasaneh to head the railway's board.

Taxes cut tobacco smoking

Aggressive tax increases have cut tobacco smoking in industrial countries, which should help reduce health care costs, according to a Worldwatch Institute study, Matthew Kaminski reports from Washington.

South Korea parties agree

Leaders of South Korea's three main parties yesterday drew up a blueprint to break a political deadlock which has paralysed parliament for months, Reuter reports from Seoul. The three – Mr Kim Young-Sam, chairman of the ruling Democratic Liberal party (DLP), Mr Kim Dae-Jung, leader of the main opposition Democratic party, and Chung Ju-Yung of the United People's party – agreed to appoint a committee to discuss recent local elections and to draft laws to prevent corruption in a presidential poll scheduled for later this year.

Besieged Sudanese town 'threatened by starvation'

NEARLY 300,000 people trapped in the besieged southern Sudanese garrison town of Juba face starvation after international food airlifts were suspended last month, foreign aid agencies said, Reuter reports from London.

"It is feared that unless a regular food pipeline into Juba is established urgently a large proportion of the population will starve," said a report issued yesterday after a meeting of international aid agencies in Juba on Tuesday.

The report by Britain's Oxfam, Christian Aid and Cafod (Christian Fund for Overseas Development) and the Norwegian Church Aid group said the city's 293,000 people had run out of food and "face imminent starvation".

The population of the city, 1,300 km south of the capital Khartoum, has been swollen by refugees from Sudan's nine-year civil war.

The report said airlifts had been intermittent during early July and since July 18 no flights carrying food for civilians had been allowed to land at Juba, southern Sudan's main town.

The mainly Christian-animist Sudan Peoples' Liberation Army (SPLA) has been fighting the Khartoum government since 1983 over what it sees as Moslem domination of Sudan. It wants a referendum in the non-Moslem south and other marginal areas, with the option of separation.

The agencies appealed to the government and SPLA to approve a resumption of the UN relief flights and establish safe corridors out of Juba for civilian evacuation .

Jets pound rebel positions outside Afghan capital

GOVERNMENT jet fighters yesterday bombed rebel positions east of the battle-scarred capital Kabul, according to Afghan and western sources, AP reports from Kabul.

For the past week, guerrillas loyal to Mr Gulbuddin Hekmatyar and his hardline Hezb-e-Islami group have rained thousands of rockets on Kabul, which is controlled by other factions. Government officials said more than 1,000 people were killed or wounded.

Since ousting a Communist regime in April after a 14-year civil war, rebel factions have engaged in an internal power struggle and are divided along religious, ethnic and tribal lines.

Defence ministry officials yesterday claimed they had forced Mr Hekmatyar's rebels out of the city. Mr Hekmatyar has promised to continue his war with Afghanistan's new Islamic government until a powerful Uzbek militia, which controls Kabul's combined military and civilian airport, is evicted from the capital.

Western diplomats said reinforcements for the Uzbek militia troops led by Gen Rashid Dostam, arrived in Kabul yesterday from his headquarters in northern Afghanistan.

Hekmatyar 'runs training camps for Tajik insurgents'

By Steve Levine in Dushanbe

MR Gulbuddin Hekmatyar, the hardline Islamic Afghan leader is operating training camps for anti-government forces in Tajikistan, bolstering the already-powerful opposition, according to KGB and diplomatic sources. The military aid is fueling the warfare that has plagued the Central Asian nation of 5m people ever since the Soviet Union was dissolved in December.

Fighting has killed between 500 and 2,000 people in the last three months. More than 100,000 non-combatants have fled, mostly Uzbeks and other non-Tajiks who have been attacked by Tajik nationalists, officials say.

Tajik officials say President Rakhmon Nabiyev's control is effective in just one of Tajikistan's five regions.

Three or four hundred men have already been armed in camps run by Mr Hekmatyar near the northern Afghan town of Imam Sahib, and returned to Tajikistan to fight, said Col Jurabek Aminov, Tajikistan's deputy KGB chief, speaking in the capital of Dushanbe. He said 400 more were under training in the camps.

Police explain loss of SA massacre tape

By Michael Holman in Johannesburg

A SOUTH African police sergeant yesterday described the operational error that lead to the erasure of 13 hours of tape recorded radio calls on the afternoon and night of the June 17 Boipatong massacre.

The Goldstone judicial commission investigating the massacre was told that taping equipment used by the area's internal stability unit had been operated incorrectly since its installation in March this year. Sergeant Ilse O'Reilly, the officer in charge of the operations control room, told the commission that this was discovered only after the massacre, in which 42 people were killed.

Sergeant O'Reilly said that the machine used ordinary commercial tapes, but was able to record on only one side. Material was erased if the tape was turned over.

The day after the massacre, she told the commission, she had turned the tapes in the machine over. As a result, all conversations between about 2 pm on June 17 and 3 am on June 18 had been erased.

Meanwhile the government has responded to criticism of police treatment of people in their custody, announcing the appointment of six inspectors to monitor an investigate conditions under which people were held.

The move follows allegations by a leading pathologist that police brutality had accounted for the deaths of scores of prisoners. Since the claim was made a fortnight ago, eight people have died in custody.

● A further meeting between the government and the Pan Africanist Congress (PAC) is expected to take place next week.

Gulf war echoes reverberate through Yemen's economy

Aid and remittances from Arab neighbours have all but dried up, leaving only austerity, writes Eric Watkins

YEMEN continues to pay a high price for its stance on the Gulf war more than a year after the end of hostilities. Before the war, as one local businessman puts it, the country's economy relied largely on "aid, remittances, and some austerity".

But the reaction of Yemen's main pre-war benefactors to its Gulf war stand has deprived the country of much of the first two, leaving it with larger-than-ever doses of the third.

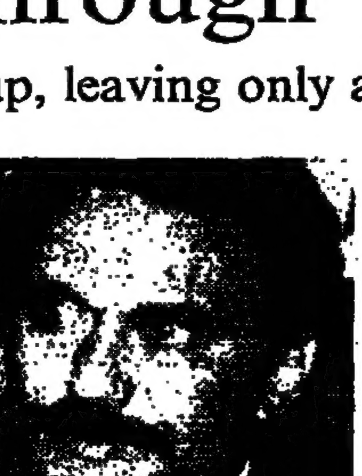
Yemen remains isolated for failing to support the US-led coalition against Iraq and has since suffered economic hardship with few signs of this easing.

Any improvement in Yemen's prospects depends on its developing better relations with Saudi Arabia and northern neighbours in the Gulf, a view made clear by Mr David Mack, the US assistant deputy secretary of state. "US relations with all the Arab Gulf states are exceptionally strong and close. It is difficult to invigorate relations with Yemen unless it achieves a minimum of rapprochement with the Gulf countries," Mr Mack said.

But Saudi Arabia and Kuwait remain resentful over Yemen's stand during the war. Although the Yemenis condemned the Iraqi invasion of Kuwait, they failed to support restoration of the ruling Al-Sabah family and, worse in terms of their relations with Gulf neighbours, they criticised Saudi Arabia for allowing foreign troops into the region. Faced with hostility to their own position in the war from their southern neighbour, the Saudis responded in September 1990 by cutting aid to Yemen and by expelling around 1m Yemenis.

The economic effects were immediate. The loss of remittances ended a main source of hard currency for Yemen, and the sudden 10 per cent increase in the country's population. added further burdens to the chronically unbalanced economy.

Rising inflation and unemployment have increased tension which last year erupted into a rash of riots against the government of Ali Abdullah Saleh



Yemen is already the most populous, with 13m people, and least prosperous state in the Arabian peninsula, relying on foreign aid estimated at $500m annually and on remittances of up to $1.5bn a year. Its oil income, from exports and sales of new concessions over the past year, amounted to $1.15bn.

As a result Yemen was last year unable to meet some four-fifths of its foreign debt commitments. Outstanding foreign debt is now put at $7.8bn, two-thirds of which is owed to eastern European countries. Moreover, fast-rising inflation and unemployment have contributed to social tensions which last October erupted in a rash of anti-government riots.

Though the government of General Ali Abdullah Saleh has been able to contain such problems, dissatisfaction with the economy remains high. To try and temper this discontent, the government has sought recourse largely to promises of future prosperity from the country's promising oil reserves.

Officially referred to as "transitional" the Saleh regime came to power with the unification of North and South Yemen in May 1990 and is charged with effecting democratic reform and multi-party elections by November this year.

The process of democratisation has faced difficulties. There have been assassination attempts on members of the Yemen Socialist Party, including the prime minister, but so far no one has been brought to trial. The government has encountered opposition from fundamentalist groups, which although few in number, may be linked with international Islamic organisations bent on disrupting democratic movements throughout the Arab world.

With such backing local groups have persistently opposed Yemen's democratic reforms and the worsening economy has played into their hands. The spectre of Algeria is on the minds of Yemen's rulers, who fear that fundamentalists may have fertile campaigning ground while the economy remains so beleaguered. There is therefore the sense of a urgency to exploit the country's newly found oil reserves.

Few Yemenis doubt that Saudi Arabia is behind efforts to undermine their emerging democracy. "The Saudis", said one businessman, "are using our position on the Gulf war as a pretext. Their real aim is to weaken our economy in order to destroy our unity and democracy".

Armed with such suspicions, Yemen may indeed have difficulty in affecting any rapprochement with its Gulf neighbours, or with the west. Faced with domestic recessions the US and UK are not likely to jeopardise their trade relations with the Gulf by assisting Yemen.

Bankruptcy court queries legal fees in MCC case

By Andrew Jack

ONE OF the law firms working on the insolvency proceedings of Maxwell Communication Corporation had its fees questioned yesterday in the US bankruptcy courts.

Judge Tina Brosman of the south district of New York court refused to approve a $677,000 bill from Milbank Tweed Hadley and McCloy for its work in helping reorganising the group in the three months to June 30.

She also queried payments to Price Waterhouse, the accountancy firm, and JP Morgan, the merchant bank, but authorised their settlement.

Milbank Tweed had presented a bill for approval by the judge which it said covered 85 per cent of lawyers' hours over the period, and included tax advice and clerical costs.

The judge, however, queried fees in the range $35-50 per hour for faxing documents, photocopying papers and stuffing envelopes.

Mr John Gallene, a lawyer for the firm, defended the fees as comparable with fees demanded by temporary workers, and said the work was essential for work in developing the reorganisation plan.

MCC has protection from its creditors under Chapter 11 in the USA, and also through administration under UK insolvency law.

UK industry cuts output as orders decline

By Emma Tucker, Economics Staff

DOMESTIC and overseas demand for manufactured goods failed to live up to post-election expectations in all but one region of the UK.

Manufacturers in almost every region reported a fall in output over the past four months and all reported continuing job losses in a survey which showed that southern England and the West Midlands remain the areas worst affected by the recession. Northern Ireland was the only region to experience an increase in demand.

According to the latest survey of regional trends from the Confederation of British Industry (CBI) and Business Strategies Limited (BSL), the decline in orders since April was due to worse than expected export orders and a sharp decline in demand for intermediate goods.

Only three regions – the East Midlands, East Anglia and Northern Ireland – reported a slight rise in output, against eight that expected orders to improve when last surveyed in April.

The outlook for employment remained grim, with manufacturing job losses reported in every region. The fastest falls were in the West Midlands, north-west, south-west and south-east but the rate of job shedding eased in Wales, East Anglia and the East Midlands.

Mr Robin Cook, the opposition Labour party's trade and industry spokesman, said the CBI/BSL survey showed that British business was losing hope.

"There is no point ranking each region to see which is doing worst. The key point of this survey is that all regions are in trouble," he said.

The survey pointed out that earlier expectations of rising orders of intermediate goods proved misplaced. A recovery in such goods, which are used as inputs by other industries, is a frequent development at the beginning of an upturn. In fact, regions with a high concentration of companies manufacturing intermediate goods, such as chemicals and metals suffered the most disappointing falls in output.

In the south-east, one of the regions worst hit by the recession, the fall in output accelerated over the past four months.

Scotland, the region with the smallest proportion of intermediate goods manufacturers, fared better than other regions while Wales, due to its good export performance, was also less badly affected.

Touche Ross ballots creditors on BCCI deal

By Richard Donkin

TOUCHE Ross, the liquidators of the Bank of Credit and Commerce International (BCCI), began balloting creditors yesterday to sound out opinions on the compensation package negotiated with the Abu Dhabi majority shareholders.

The ballot is being carried out at the request of the district court of Luxembourg, which must approve the agreement before it can go ahead.

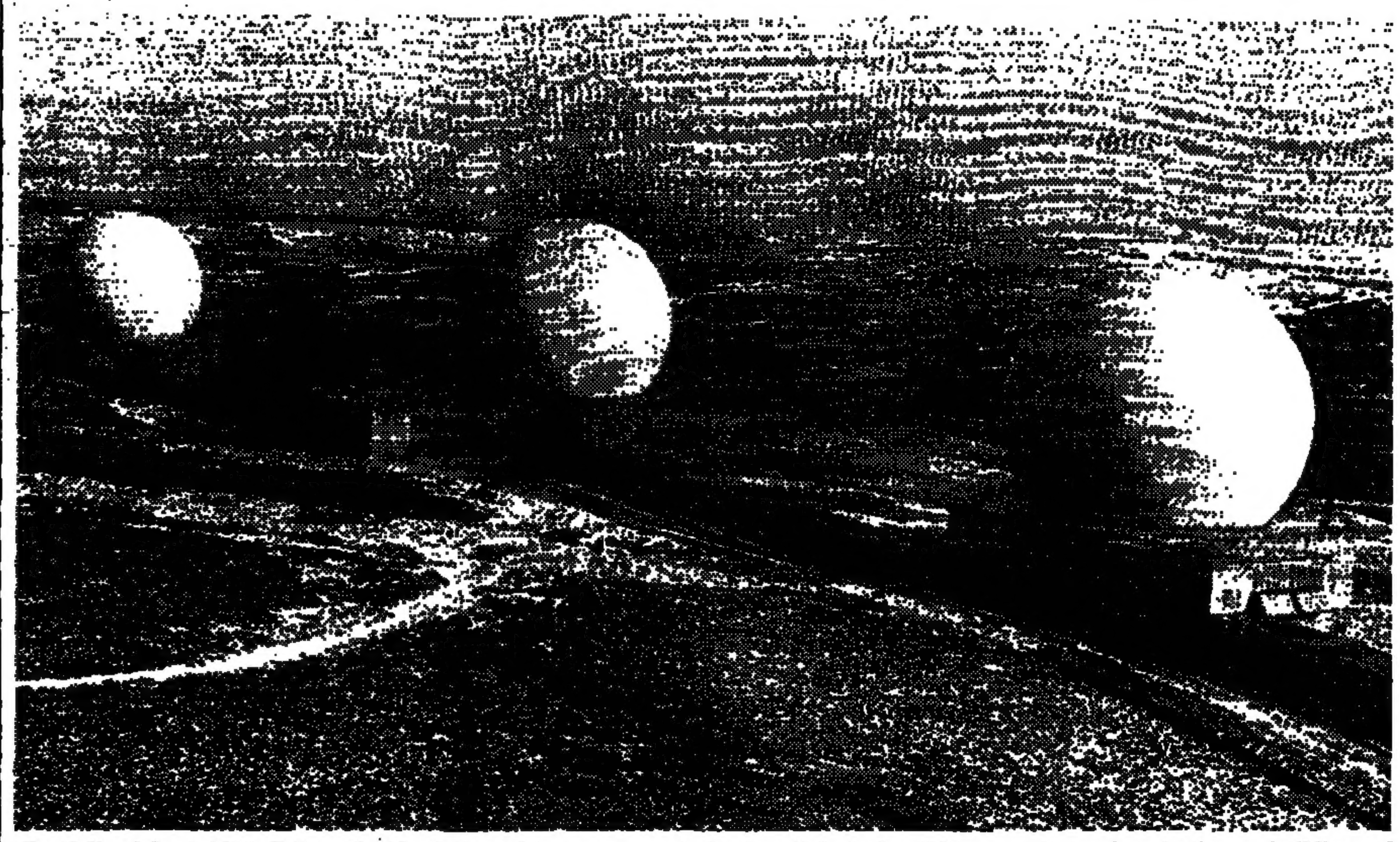
The liquidators are attempting to contact some 50,000 depositors of BCCI SA, the Luxembourg registered bank that formed one of the two main banking arms of BCCI.

Ballot papers, which were being sent out yesterday, asked depositors whether they were in favour both of the contribution agreement in which Abu Dhabi is expected to commit about $1.7bn and the pooling agreement which provides for a pooling of assets of BCCI Holdings and the two main banks, including branches in the UK and the Isle of Man.

The ballot is accompanied by a letter to creditors from the liquidators which is not without some lobbying. The creditors are "strongly recommended" by the liquidators to accept the compensation deal. "The rejection of this agreement, so as to create the possibility of renegotiation, would be a pure gamble," says the letter.

The results of the ballot are not binding on the court which is hoping to make a decision on the liquidation on October 1.

Mr Ahmed Al Sayegh, a member of the majority shareholders' working group on BCCI which has been carrying out the negotiations with the liquidators, said last night that the only alternative to the arrangement was "hugely expensive" court action around the world.



The Fylingdales "golf balls" on the North Yorkshire moors are to be demolished after failing to win legal protection as buildings of "outstanding architectural interest". The structures were designed to give weather-protection for early-warning radar dishes

Airports group sees traffic rise by 8.2%

By Daniel Green

BAA, the airports operator, has had its busiest year on record, with more than 75m passengers passing through its airports in the 12 months to July, a rise of 8.2 per cent.

Traffic in July was 11 per cent higher than in July 1991, when travel was depressed after the Gulf war. The gain on July 1990 was 3 per cent.

Mr Mike Hodgkinson, BAA's group airports director, said "The figures bear out our expectations on traffic growth for this financial year of 5-8 per cent.

"The drop in domestic traffic seems to have bottomed out and the airport traffic appears to have benefited from price discounting in holiday markets." The strongest growth in destinations over one year was to North America and Ireland, both partly deregulated routes.

London's Heathrow remained easily BAA's biggest airport, handling more than 4m people in July, a gain of 10 per cent from a year earlier.

Stansted, London's third airport where a £400m terminal was opened last year, saw a 27.5 per cent rise in the number of passengers to 270,000. It remained well behind Gatwick, south of London, which handled 2.2m passengers, a growth of 7.4 per cent over July 1991. Gatwick saw the sharpest decline in passengers of BAA's airports after the Gulf war.

Freight traffic across the company showed sharper growth of 14.3 per cent overall to more than 89,000 tonnes.

Master of Rolls appointed

Lord Justice Bingham: one of Britain's leading legal minds

LORD Justice Bingham, the Appeal Court judge who has just completed an 11-month inquiry into the collapsed Bank of Credit and Commerce International, was yesterday appointed Master of the Rolls, the head of the civil courts, in succession to Lord Donaldson, writes Robert Rice.

Lord Donaldson retires at the end of September after 10 years as the most senior civil court judge in England and Wales. The BCCI report is expected to be published before Lord Justice Bingham, 58, takes up his new office on September 30.

He is widely regarded by the legal profession as having one of the best intellects on the bench and as a radical who is willing to speak his mind.

In 1989, he was the first judge to speak out strongly in favour of Lord Mackay's proposed reforms of the legal profession.The rules preventing solicitors from appearing as advocates in the higher courts were illogical, indefensible and could not be justified, he said.

He is no stranger to controversy or to handling sensitive inquiries. In 1977 he was appointed by the then Foreign Secretary Dr David Owen (now Lord Owen) to head the inquiry into Rhodesia sanctions busting by the big UK oil companies. His report concluded that they had knowingly violated UN sanctions, and that government officials were aware of this.

During the 1991 Gulf war he was one of the "Three Wise Men" who reviewed cases of Arabs facing deportation as security risks.

TUC demands job package

By Michael Smith, Labour Correspondent

THE government was urged yesterday to implement a £600m package to tackle unemployment ahead of official figures today which are expected to show that "the number of jobless has risen for a 28th consecutive month.

The Trades Union Congress (TUC) – the umbrella organisation for most UK unions – drew attention to a recent analysis by the Organisation for Economic Co-operation and Development showing that Britain lagged behind most European Community nations in developing active labour market measures to tackle unemployment.

The TUC wants the government to restore the budgets of Training and Enterprise Councils, which administer training in England and Wales, and develop measures including temporary employment programmes.

The TUC said Britain was ranked ninth out of 12 EC countries in the OECD analysis in terms of percentage of national income spent on labour market measures such as training, temporary work programmes and job subsidies.

Spending an estimated 0.56 per cent of national income in 1991, Britain only just ranked above Portugal and Greece, said the TUC. Five EC countries spent nearly twice as much as Britain as a percentage of national incomes.

Today's figures are expected to show that the unemployment figure for June of 2.72m has risen by a further 25,000.

OBITUARY

Lord Devlin: an original legal mind

LORD DEVLIN, the former law lord who died on Sunday aged 86, became the youngest High Court judge this century when he was appointed to the Queen's Bench Division at the age of 42 in 1948.

He retired early in 1964 after only three years in the House of Lords and it was said that the law had lost one of the finest and most original legal minds of his generation.

His reasons for taking early retirement were unclear.

Later he said he had resigned because he found the work in the House of Lords "so utterly boring". It has also been suggested that he saw little prospect of further advancement under a Conservative administration, having fallen out with the Macmillan government over his 1959 inquiry into the disturbances in Nyasaland and having been passed over for the job of Master of the Rolls in 1962.

His early retirement from the bench did not signal retirement from public life. In 1964 he was appointed chairman of the Press Council, the first person from outside the industry to hold that position.

In recent years he became a staunch campaigner on behalf of the Guildford Four and the Maguire Seven.

From 1971-72 he was a member of the committee on Identification in criminal cases and from 1969 to 1991 he was High Steward of Cambridge University.

Patrick Arthur Devlin was born in 1905 and educated at Stonyhurst College and Christ's College, Cambridge.

In 1932 he married Madeleine Oppenheimer, youngest daughter of Sir Bernard Oppenheimer. They had four sons and twin daughters.

He took silk in 1945 and was appointed Attorney General of the Duchy of Cornwall two years later.

He was appointed to the High Court bench in October 1948, the Court of Appeal in 1960 and the House of Lords a year later, taking the title Baron of West Wick.

He presided over many celebrated cases, including the trial for murder of John Bodkin Adams, the Eastbourne doctor acquitted after being accused of poisoning his elderly patients.

Britain in brief

Access to UK insurance market eased

The UK took a small step towards liberalising its insurance market in line with new European rules with the publication of draft regulations for the implementation of the second life insurance directive.

The directive provides for limited cross border sales of life insurance. It is widely expected to be superseded by a third life directive, allowing for more extensive liberalisation.

A common position on the third directive was reached in the EC council of ministers on 29 June this year. The minister of corporate affairs, Mr Neil Hamilton, said he expects formal adoption of the third directive later this year.

Oil companies swap assets

Elf Exploration UK, a subsidiary of the French state-owned oil company Elf Aquitaine, has swapped North Sea assets with Amerada Hess, the US oil company.

Elf, which is now the 4th largest North Sea operator, said the deal would help it strengthen its position in the UK North Sea and demonstrated its long term commitment to the area.

The deal gives Elf a 12.5 per cent interest in the Franklin discovery, thought to be a potentially large gas field. Amerada Hess will get Elf's 16.45 per cent interest in the Anglia gas field, in which it already has a stake, raising its total interest to 29.29 per cent.

Flat sales hit PC market

The UK market for personal computers is stagnant and plummeting prices appear to have done little to stimulate sales, according to a survey by Context, a London-based consultancy.

The volume of indirect sales – sales through dealers or retailer shops – increased in the 12 months to June by only 0.5 per cent over the same period last year, says the survey. In earlier years, sales have grown by more than 20 per cent annually.

The total number of machines sold in the period was just under 800,000. Indirect sales account for some 75 per cent of all domestic sales of personal computers.

NCM chooses Welsh base

NCM Credit Insurance, the Dutch company which took over the Export Credits Guarantee Department's insurance division earlier this year, is to locate its headquarters in Cardiff's docklands development in Wales.

It is to lease a 115,000sq ft building being built for it by Grosvenor Waterside, the property arm of Associated British Ports, and plans to be in its new offices by the end of 1994.

International station plan

British Rail publicised fresh plans for an international railway station at Ashford, Kent, to serve Continental trains passing through the Channel tunnel.

If the government approves the scheme, the £80m station should provide people in south-east England with a way of joining Channel tunnel expresses without first having to travel into the centre of London.

BR's new ambitious scheme involves expanding the existing Network SouthEast station to accommodate international trains as well as suburban ones. It will include an international departure lounge and 2,000 parking spaces for international passengers' cars.

Ford to sponsor BSkyB soccer

Ford, the motor company, is to sponsor BSkyB's television coverage of the Premier League, the new top division for English football clubs, which begins on Sunday. BSkyB would not disclose the value of the five-year deal but claimed it was "the biggest sponsorship package in UK broadcasting history."

Man cleared of Ashdown theft

An Old Bailey jury has cleared Simon Berkowitz of stealing a confidential document detailing a former relationship between Mr Paddy Ashdown, the Liberal Democrat leader, and his one-time secretary.

But he was convicted on a majority verdict of handling the stolen document.

Mr Asdown admitted the affair prior to April's general election after it emerged that Berkowitz had tried to sell the document to a Sunday newspaper. Following the court decision it was revealed that Berkowitz he had 230 previous convictions for burglary. He was jailed for 2½ years.

BA-Virgin case delayed

The defamation case between Virgin Atlantic Airways and British Airways has been postponed until January 1993. The companies are suing each other over allegations that BA had engaged in anti-competitive behaviour against Virgin. BA applied for the delay to give it more time to prepare its case.

US group halts Ulster scheme

Morton International, the large Chicago-based manufacturer, said it had decided against locating a plant in Northern Ireland. The company said "current intentions are to have a site on the Continent". The plant is expected to manufacture safety air bags for European cars.

Brink's-Mat jury out

An Old Bailey jury trying four men and a woman accused of laundering £14m from the Brink's-Mat gold bullion robbery has failed to reach a verdict after three days.

TECHNOLOGY

BRITISH ENTREPRENEURS

Spinning a web

Louise Kehoe examines a Silicon Glen venture with big ambitions

"NOT EVERY world leader is American." This slogan on the cover of Spider Systems' marketing brochure sets the tone. The eight-year-old Edinburgh-based computer networking company thinks big and faces competition head on.

"All our competition is American," explains Martin Ritchie, managing director and co-founder. "We compare ourselves with them quite a lot. There are no role models for a company like Spider in Scotland, so we are forced to model ourselves on American companies."

Indeed, within the Scottish high-technology industry Spider Systems has become a corporate celebrity, a frequently cited if somewhat lonely example of an indigenous electronics start-up company. With 1992 revenues of almost £15m and 260 employees, Spider is now the largest and best-known entrepreneurial venture in Silicon Glen.

Ritchie puts the lack of entrepreneurial activity in Britain down to cultural factors. "In the UK we are a nation of employees rather than employers. As you grow up you don't think of becoming an employer."

Yet whatever the cultural barriers may be, Spider Systems has hurdled them. At the company's stylish Edinburgh headquarters there is an air of confidence rare in a company of its size. "Image is important," Ritchie maintains. The company logo, promotional materials and offices all reflect its ambitions.

Spider's "World Leaders" brochure is a bold example. Illustrated with the satirical Spitting Image puppets of such figures as John Major, George Bush, Margaret Thatcher and other political leaders, its message is clear; Spider Systems is, or at least aspires to be, a world leader in its field.

However, the company's origins were pragmatic, rather than ambitious. When ICL closed down its software development facility at Dalkeith, near Edinburgh, in 1983, engineers were offered jobs in England. The five founders of Spider Systems chose instead to stay in their native Edinburgh.

"We didn't want to move so we decided to set up a company to do interesting and challenging work in what we believed was a growing field – computer networking."

Spider started with no external financing and picked up software development contracts from former ICL customers. "We were selective about the work we did. It had to be interesting," Ritchie recalls, "otherwise there was no point."

In retrospect, Ritchie suggests, the founders' determination to find satisfaction in their work served the business well. "We stuck close to what we were good at and specialised in networking." If Spider had taken on a broader spectrum of work it might have become another of the many product development consultants that populate the Scottish high-tech industry, he believes.

Martin Ritchie: 'All our competition is American'

Spider made a "conscious decision" not to set firm plans for the future. "There was no four-year plan," says Ritchie, "the only thing a long-term plan tells you is what won't happen."

From its start in systems software, Spider moved into hardware development, taking on a development contract from a US computer company, now defunct. Gradually expanding its areas of operation, Spider launched the first product sold under its own name in 1985 – a device for monitoring personal computer networks that has formed the basis of subsequent products.

"The business plan was that if we could sell 23 units we would break even. We hoped to sell 50 and turn a profit." In the event, Spider sold more than 1,000 of its SpiderMonitors, and the product became a key element of the company's business.

Still, Spider maintained what Ritchie calls a "low-risk approach" to expansion. Not until 1989 did the company draw on outside financing, receiving £3m in two rounds from UK venture capital groups.

By British standards, Spider has set a record growth pace with annual revenues increasing by an average of 60 per cent per annum until last year. However, Ritchie points out that the company's growth has been slow compared with that of American competitors.

"Our rate of growth has been restricted by the pace of growth that our management could take." When the company started, only two of the founders had any management experience and none had run a business, he notes. "In British companies very few people had profit/loss and cash responsibilities at that time," he adds.

The Scottish Development Authority (since renamed Scottish Enterprise) provided Spider Systems with advice and assistance, putting the company in touch with a small business counsellor who became a non-executive director. SDA also helped Spider Systems to acquire its headquarters building by providing financing for the purchase of land and construction.

While acknowledging the assistance of SDA, Ritchie makes clear that "you don't build a company on the back of government support. It is good to feel that there is somebody behind you, but at the end of the day you do it by yourself".

Competition from richly financed US companies is the biggest challenge facing Spider Systems. David Simpson, chairman, has just returned from the US where he has been investigating sources of additional financing: a private placement or a public stock offering.

Lack of funding proved a serious problem for Spider when it attempted to enter the US network equipment market. "It was a case of not enough money spent, but too much money lost," says Simpson. Spider withdrew from the US hardware market last year and sold US marketing rights to some of its products.

However, Spider remains a strong competitor in the US networking software market, selling to many of the largest computer and computer software groups. Staying in touch with the US market is vital for Spider because new technology is adopted faster in the US than in Europe. "By the time products are adopted in Europe, our US competitors already have 18 months' experience," says Ritchie.

After a rough year, in which the company recorded an £830,000 loss as a result of its US retrenchment, Spider is getting back into its stride. Although the recession has slowed growth, "we are expecting 30 per cent growth this year, and are currently on plan," says Ritchie.

"We have sorted ourselves out and we can get on with building the company. Simpson is determined that Spider will one day become a £100m business. "We must not shy away from ambition. We cannot be defeatist," he says.

The series will continue next week.

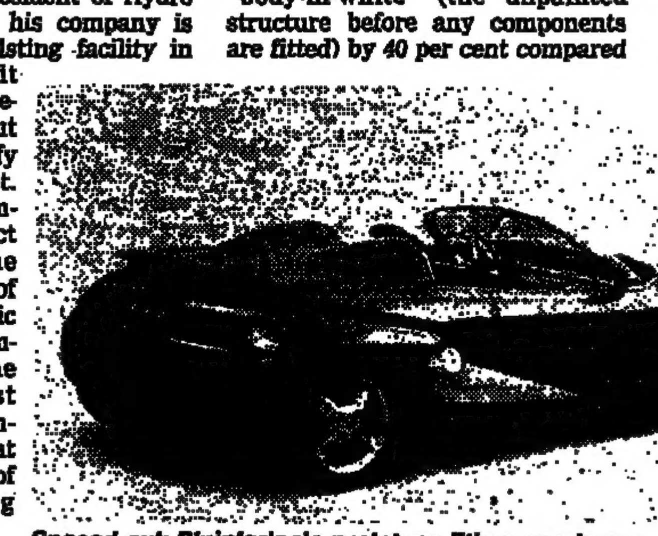
Skeletons come out of the closet

Aluminium makers are moving into the fast lane in the race to build car bodies, writes **Ken Gooding**

An avalanche of new business for aluminium producers could be on the horizon. Hydro Aluminium of Norway's decision to start producing spaceframes – skeleton-like car bodies – in Michigan, traditional heartland of the US automotive industry, is a hopeful sign for aluminium makers.

Hydro's initiative follows that of Alcoa (Aluminium Company of America), the world's biggest aluminium group, which is setting up a $70m (£36m) plant to make aluminium car spaceframes at Soest, near Düsseldorf, in Germany. These will go into the new top-of-the-range Audi V8 car expected to be launched next year.

Ivar Hafsett, president of Hydro Aluminium, says his company is converting an existing facility in Michigan and it will have one specific customer, but he will not identify the customer yet. However, the timing of the project fits in with the expected launch of the Impact electric vehicle which General Motors, the world's biggest automotive company, is to build at an annual rate of 10,000, starting next year.



Spaced out: Pininfarina's prototype Ethos sports car

The Impact has been developed to meet California's requirements for some totally pollution-free cars.

Hydro is part of Norsk Hydro, Norway's biggest industrial group which is 51 per cent-owned by the state but is also quoted on several stock exchanges. It has a relatively long history of aluminium spaceframe development.

Five years ago the Treser convertible sports car, with a Hydro spaceframe, almost went into production. Several pre-production prototypes had been built and Treser's Berlin factory was ready to start up when expected finance failed to materialise and the venture failed.

Hydro expects better luck with the Ethos, a two-seater sports car using an aluminium spaceframe, a body of fully recyclable thermoset plastic panels and a three-cylinder, two-stroke Orbital engine.

This was the result when Pininfarina of Italy set out to design a car that was fun to drive, environmentally friendly, safe and not too expensive for the younger motorist. It is scheduled to go into production in Turin in 1995. With Porsche of Germany, Hydro is also developing another small-volume sports car which is expected to be on the market in the mid-1990s.

Work so far indicates that, by starting from scratch with an aluminium spaceframe, a manufacturer can cut the weight of a car's "body-in-white" (the unpainted structure before any components are fitted) by 40 per cent compared with a conventional steel sheet structure but achieve the same performance.

As the car's suspension, brakes, wheels, engine and gearbox can also be scaled down because of this initial weight saving, most engineers agree that the total weight of a car can be reduced by 20 per cent. The Pininfarina Ethos, for example, is 3.63 metres long but weighs only 700 kg.

The full advantage of aluminium spaceframe technology can only be realised by starting with a blank sheet. Aluminium can be made competitive with steel, a much cheaper material, because the number of components required can be cut by half.

This reduces capital, tooling, labour, stock and other costs. On top of this the car has corrosion protection, recyclability, a shorter development time, greater styling flexibility and can be built in a smaller assembly plant.

No wonder, then, that there are several spaceframe concepts being evaluated by supplier-manufacture teams, apart from those involving Hydro and Alcoa.

Alcan of Canada has chosen to build its spaceframe of sheet aluminium. This technology is being used by Jaguar in its XJ220, for the Ferrari 512GT America coupe and in some Bertone sports cars. Alcan also provided some of its technology when Honda was developing the NSX sports car.

Like GM with its Impact, BMW's M-Technik offshoot is using an aluminium spaceframe in its prototype electric vehicle for California; and Toyota's AXV-1V concept car has a structural frame of aluminium.

Nevertheless, according to Hafsett, the aluminium industry still has a great deal of work ahead before it can achieve the final breakthrough – the use of the technology in mass-produced cars. At present aluminium spaceframes are suitable only for relatively small-volume models, produced at a rate of no more that 100,000 a year.

Much will depend on another project in which Hydro is involved – the FFr360m (£37m) Mosaic venture with Renault. This is part of the Eureka programme in which European car producers and their suppliers have joined together to do some basic research.

"Our decade will see a lot of spaceframe-based experimental cars and cars made in small volumes. The ultimate breakthrough to mass-produced cars will have to wait until the next century," says Hafsett.

MANAGEMENT: MARKETING AND ADVERTISING

Styled with a built-in sense of identity

National designs can reflect culture and custom, finds **Hugh Aldersey-Williams**

Do everyday things have a different look and feel from country to country? Many designers not only believe so: they are determined to keep it that way.

Their hope is at odds with trends towards closer European union and greater international trade. Yet "national design" can provide a much needed sense of identity while preserving – or even enhancing international competition.

National identities within Europe have come centre stage since Denmark's rejection of the Maastricht treaty. In design, Denmark itself has a strong identity – a spare, practical style that we see in furniture, tableware and Bang and Olufsen hi-fi. The same values apply equally to Danish heating equipment and electronic instruments.

According to Jens Bernsun, director of the Danish Design Centre, Denmark is one of the few countries where famous design classics are also popular with the general public. Many of the Danish designs on show in museums around the world can also be found in hundreds of thousands of Danish homes.

The Netherlands is the polar opposite of Denmark in Community terms, a great believer in European integration. Yet it too has a strong design identity, evidence that supra-national ideals need not be pursued at the expense of national character.

Holland's public sector companies have long been exemplary patrons of design, the legacy of the country's historical need to design its geography. "Holland has always been shaped by human hands, by the official sector," says Gert Dumbar, a leading designer.

The Dutch post and telecommunications company, PTT, continued that tradition when it commissioned a corporate identity from Dumbar to signal its recent privatisation. The result was a collage of elements hinting of Mondrian and the country's canal-crossed landscape.

National design's ascendancy over globalism provides a visual parallel to the more general debate between McKinsey and Co's Kenichi Ohmae, author of The Borderless World (Harper Business), and Harvard Business School's Michael Porter, who holds that national stereotypes have their basis in fact and should be confronted and even exploited.

As Porter writes in The Competitive Advantage of Nations (Macmillan): "Companies at first glance seem to have transcended countries. Yet differences in national economic structures, values, cultures, institutions, and histories contribute profoundly to competitive success."

The Japanese have alphabets that gave good reason for the invention of the fax machine. The Polaroid camera satisfies an American wish for instant gratification. The British drink prodigious quantities of tea, hence the recent advent of the jug kettle.

These examples show that differences of culture and custom can determine where innovation occurs.

What is true for innovation in products can be true too in their styling. The UK is the main market for jug kettles, but exporters such as Tefal of France make them for the British, ignoring the British design idiom in favour of their own corporate look. One British designer who recognises this shortcoming is Geoff Hollington. His proposal for a "British" jug kettle has elegant lines, a wooden handle, and Racing Green trim.

Elsewhere, more explicit moves are afoot to celebrate national identity.

In Slovenia, for example, Janez Suhadolc, a furniture designer, celebrates the country's newfound independence with chairs that allude to the architecture of Jose Plecnik.

Plecnik is Slovenia's equivalent of Catalonia's Antonio Gaudi who was active in the 1920s and 1930s – when Slovenia last tasted freedom.

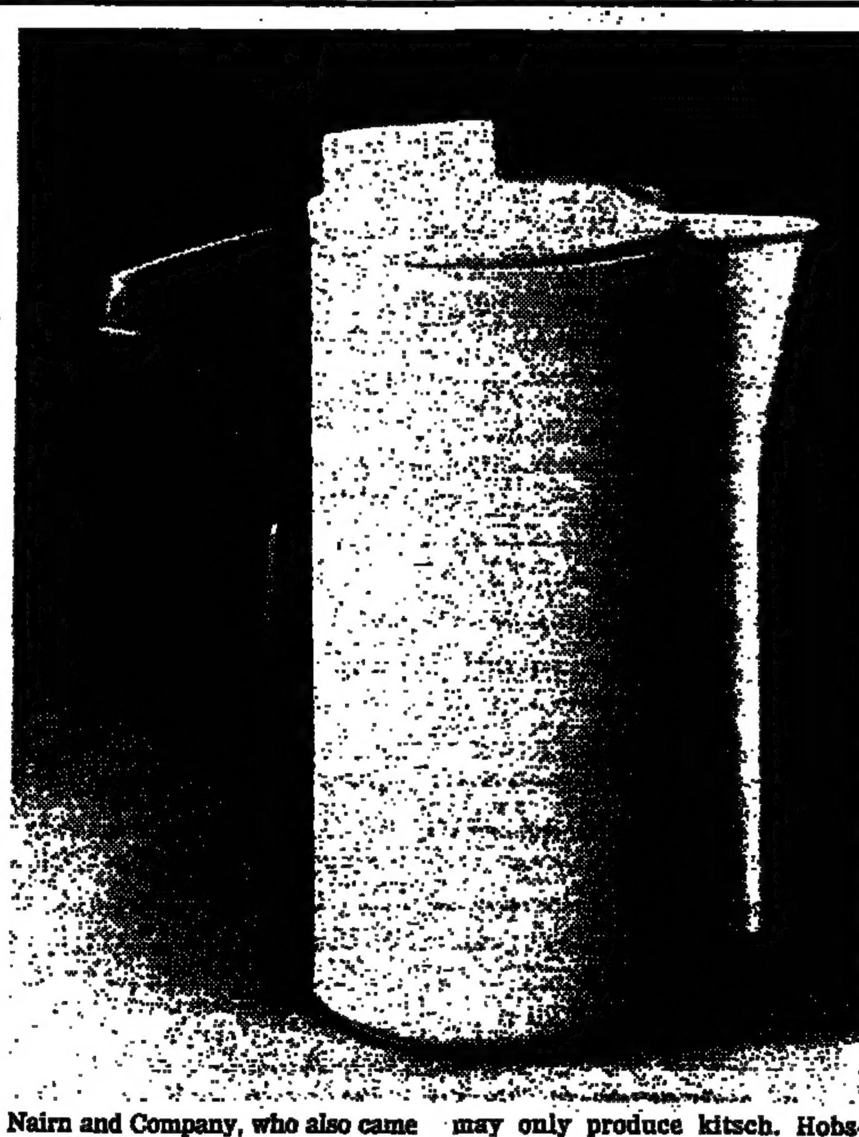
The concern extends beyond countries where political nationalism is running strong, however.

Japan has spent decades copying the West at the expense of its own cultural identity. Now some Japanese designers are seeking to unite high-tech product style with national tradition. One result is a Sony Walkman with a blue-white enamel finish which, according to the designer, evokes ceramic chopstick holders. Sold only in Japan this model enjoyed a shelf-life six times longer than a normal Walkman.

Some designs stem from observation of a culture rather than immersion in it. The French television station TF1 has a logotype that resembles the label on a pastis bottle. The reference is perhaps obvious, but head of programme promotion Patrice Ferrand was happy enough. "It nicely demonstrates its national origin."

Conversely Guardian Vie, the French life subsidiary of Guardian Royal Exchange Assurance wanted a British-looking identity because the French apparently believe British insurance companies to be more reputable than their own. The designers responded with a G like a fragment of the London Transport roundel and British public services colours that French visitors will have seen here.

There is an ironic twist in both these cases. The TF1 identity is the work of British designers Lambie-Nairn and Company, who also came up with the current designs for the BBC television channels.



Guardian Vie's British look on the other hand came from Plan Créatif, a Paris firm.

These acts of creation of national identity by foreigners are not without precedent. As the historian Eric Hobsbawm points out in Nations and Nationalism, "more often than not the discovery of popular tradition and its transformation into the 'national tradition' ... was the work of enthusiasts from the [foreign] ruling class or elite."

The fear of designers is that by designing in a national idiom they may only produce kitsch. Hobsbawm uses the phrase "the invention of tradition" to describe this activity. He refers, for example, to traditions such as the tartan kilt, an 18th century English invention which is now ubiquitous shorthand for Scotland.

Such traditions may be invented but they have also been successful. National style can be whatever a good designer says it is.

Hugh Aldersey-Williams is the author of 'World Design: Nationalism and Globalism in Design' (Rizzoli International Publications, £29.95)

Party invites in the post

BRITAIN'S leading political parties must be especially keen to recruit more paid-up members, given the precarious state of their finances.

The Conservatives and Labour alike have been scrambling to get their costs under control since last April's general election ended nearly 18 months of virtually continuous campaigning.

Labour's national membership scheme was described as "a fiasco if not a disaster" by Mr David Hopper, the party's auditor, at last year's party conference.

Though the number of individual Labour party members climbed by 45,000 to 311,152 between 1988 and 1990, the total has fallen by half since 1979.

Viewed in this light, the subject of the Direct Marketing Association's proposed autumn conference season road-show seems shrewdly chosen.

The trade body proposes to focus on how to turn those who voted in April into members and/or active supporters of the party that they voted for.

The thrust of their argument will be that targeted mail-shots are a more effective way of achieving this than the traditional method: dispatching party workers to trudge around housing estates knocking on doors.

The key to this approach lies in exploiting the detailed canvass returns that will have been assembled by constituency parties during the course of the general election campaign.

Rather than being locked away in a cupboard until the next election, these should be used as the basis for compiling lists of sympathetic voters, the association will argue.

Once these voters are identified, a carefully-drafted letter, addressing the recipient individually and concentrating in particular on local issues, may jolt them into becoming members or contributing more actively to the party's support.

"What we are saying is your canvass returns are a very valuable database," says Ms Angela White, external relations director for the Royal Mail and one of the road-show speakers. "If you were in business, you wouldn't be neglecting it for four years."

David Owen

Stephanie Jones looks at a new trend among recruitment agencies

An appointment with a select few

Scanning the appointments pages is like walking down the high street: the same names are to be seen again and again. Also like the high street, the old names have been replaced by new ones.

In recruitment advertising, the Benetton and Sock Shop equivalents are the new "selection" firms such as NB Selection, Selector Europe, Whitehead Selection, K/F Associates and St James' Associates. Striking ads from these companies now fill some 60-70 per cent of the appointments pages.

Consultancies of this kind – mostly spin-offs from leading executive "search" firms – fill a gap in the market between top level search, in which potential candidates are contacted directly, and the no-frills service offered by agencies placing box-number adverts in newspapers. The fee is usually less than for a search firm – 25 per cent of the successful candidate's first year salary compared with 35 per cent for example.

Of the UK's top eight executive search firms, five have established fully-fledged selection operations. NB Selection, established by Norman Broadbent, was the first and now has 27 consultants in seven offices. Others are also establishing regional networks.

"We have set out to capture business which was being reluctantly passed to the recruitment advertising specialists. We were not sure they did a good job for our clients," explains Nigel Smith of search firm Whitehead Mann. Search firms prefer to concentrate on pure executive search. But this is not suitable when "the population of potential candidates is large, and the skills required are easily transferable," explains Smith's colleague Nigel Bates of Whitehead Selection.

According to Piers Marmion of Selector Europe, many of the jobs that would have gone to search are now being advertised through selection firms, partly because the recession has increased the number of candidates, while the European market has also broadened the field.

How does "selection" work? The client briefs the consultant, who puts out the ad, sifts the responses, and presents a short list, all in about a month. Shortlisted candidates are interviewed and appraised, references checked. "The research and direct approaches to individuals made by search firms are replaced by advertising," explains Nigel Humphreys of Tyzack, who set up TX Selection three years ago.

Selection firms also emphasise the importance of their service to job hunters. They "see candidates as future clients and are anxious to protect their reputations," argues Nigel Rose of K/F Associates.

All selection firms have found that more unemployed people are reaching shortlists, and Richard Boggis-Rolfe of NB Selection emphasises that "we have no prejudice against unemployed candidates – John Major proves that a period out of work is no bar to future success!"

Cinema/Nigel Andrews

Familiar multicoloured balls

LETHAL WEAPON 3 Richard Donner
WAITING Jackie McKimmie
WITHOUT YOU I'M NOTHING (18) John Boskovich
THE NEWS BOYS Kenny Ortega
FREDDIE AS F.R.O.7. Jon Acevski

Lethal Weapon 3 is a variety show masquerading as a movie. Let us define our terms. A movie is something that moves, both in its individual images and its governing plot momentum. A variety show is a menu of entertainment items composed of colourful but unrelated turns.

So here for their latest encore is that popular police double-act Riggs and Murtaugh (Mel Gibson and Danny Glover), their comic rapport built as ever on the tension between psychotic unpredictability (Riggs) and sciatic middle-aged alarmism (Murtaugh).

Here, in an I-say-I-say cameo role, is Joe Pesci's Leo Getz, the comical accountant from *Lethal Weapon 2*. Here, bounding in from the wings, is the latest version of that silver-screen crowd-pleaser, the villain played by an English actor (Stuart Wilson, following on the cloven heels of Rickman and Hopkins).

And here is the plethora of stunt set-pieces – the freeway chase against the traffic flow, the blown-up office block – that have no more strict narrative relevance than "Bring on the acrobats" at the Palladium.

This is not a criticism, it is a genial, realistic acceptance. What, after all, does one do with a collection of familiar multicoloured balls except find different ways to juggle with them? Mozart did this in *The Marriage Of Figaro*, taking over from Rossini to give us *The Barber Of Seville 2*. Shakespeare did it with Falstaff in *The Merry Wives Of Windsor*, alias *Fatman Returns*.

What matters is the wit deployed, and *Lethal Weapon 3* should send the charabancs away happy. The plot about a homicidal drug-dealer (Wilson) and his attention-catching outrages is no more than an excuse for another action-and-comedy gala. And top of the bill are back-chat stars Gibson and Glover.

Glover is the one gasping in disbelief or groaning in dismay while Gibson – show him a blue touch-paper and he will light it – is the one going his berserk way to demotion and back.

Wild of mane, jittery of smile and baby-blue of eyes, Gibson is the triumph of the whole Lethal Weapon show. He is to law enforcement what Caligula was to civil administration. Show him an unexploded bomb (scene one) and he will tease it lovingly until it explodes. Serve him up a nice juicy suspect (scene 22) and he will clatter him about the head first and ask questions, if at all, later. This is the vigilante cop taken to its supra-mythic extreme: beyond iconisation to the finer stratospheres of camp.

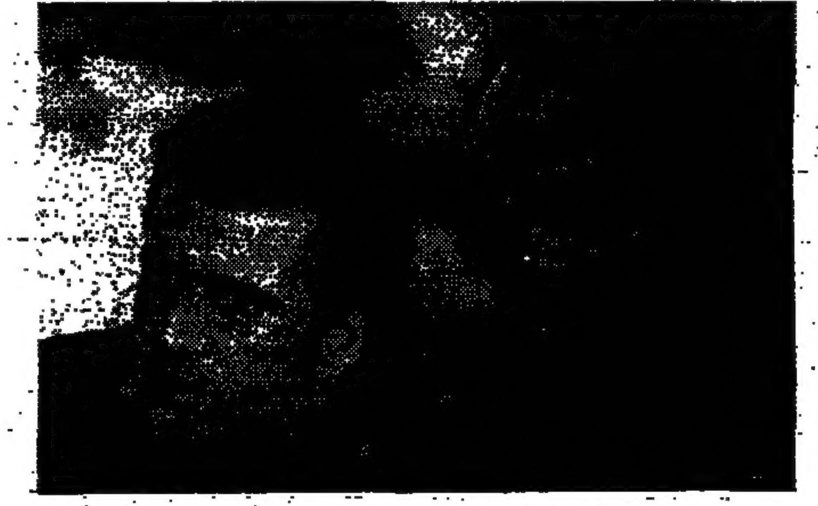
The film is in large part nonsense – have we tried to hide that from you? But as a recent series of beer advertisements unlidding the dustbins of the stars suggests, we are all fascinated by rubbish, especially when it comes with a VIP stamp of ownership. This rubbish was directed by Richard Donner, of *The Omen*, *Superman* and the earlier *Lethal Weapons*, and it was written by Jeffrey Boam of *L.W. 2* and *Indiana Jones And The Last Crusade*. Enjoy!

* * *

"Let your body rest on the clouds, let your breasts fly off into the cosmos..." Thus the holistic birth adviser to her ante-natal class in Jackie McKimmie's *Waiting*.

This comedy of pricked pretensions from Australia is a delight. With its hang-loose script, home-made camerawork and cast of endearing losers – a pregnant painter (Noni Hazlehurst) and the four women friends, plus dazed menfolk, who crowd her battered farmhouse to await the birth – it could be a Robert Altman film re-planted in the Antipodes.

Yet McKimmie's solidarity with her characters makes the movie more than a multitarget satire. The bullseyes may be regularly struck: the mystic deliriums of natural birth advisers; the hypocrisy of agit-prop hobbyists like the baby's father (Frank Whitten), fasting for freedom until his first sight of a McDonalds; the fanaticism of career feminists, incarnated in Fiona Press as a plump frump hoping to film the birth for a documentary attacking the patriarchal medical profession.



Mel Gibson and Danny Glover: back in Lethal Weapon 3

But the central dilemma of surrogate motherhood – Hazlehurst is carrying the baby for a friend who cannot have one – is explored in all its sacrificial agony. As each character in turn is toppled from his or her high moral perch, shaken by the tremors of the cunningly chaotic plot, our heroine is the last to choose between dogmatic posture and truth to self.

At this point, the film swaps its raggedy colours and camera movements for a brief spell of Australian School gilded lens-work. Is it mocking its own cinematic ancestry? Probably. For we are soon back to chaos, visual and comedic, as the baby is delivered into a world where *l'age d'or* idealism has been finally scuppered by the human frailties we know, love and could hardly live without.

If *Waiting* is a feminist's satire on Feminism – a lower-case idealist's onslaught on Upper-case Ideologues – *Without You I'm Nothing* is a shot from the same locker. Sandra Bernhard, rubber-faced US comedienne, stands and delivers her one-woman show for the camera much as she did for six successful months (we are told) in an off-Broadway theatre.

Targets: pretension, pop culture, white-Anglo-Saxon-protestant America and, yes, Feminism. Method of attack: lateral lampoonery. Bernhard favours impersonations of the famous (Cher, Streisand, Diana Ross, even Prince) to deliver her airy, idiotic, precision-timed monologues followed by songs. With her voice like a mosquito-whine and her face like a rubber duck pressed against a window, this performer is an acquired taste. I did not acquire it in her only previous major film, *The King Of Comedy*, where she played the demented groupie who helps kidnap Jerry Lewis. I acquired it in five minutes here. Bernhard's main trick is to look straight at the camera with a withering Michigan-Jewish girl's honesty and then lie or tease like hell.

Cultural groupies are her favourite spoof victims – "Andy (Warhol) really understood the concept of potlatch" – closely followed by philosophising pop singers. Musing on the decline of Western civilisation, she says "Perhaps Cher said it best...": then she launches into a Cher-wigged ballad of cosmic melancholy. Catch this dry, funny treat on screen; and then catch Miss Bernhard live, if you will, on her late-August British tour.

* * *

Finally, your choice for the kiddywinks. Would you prefer a Disney musical about New York newsboys or a cartoon about a frog working for MI5? Since both plumb depths of inconsequentiality unsurpassed even this summer, you may prefer to take the children to Alton Towers or a day with Auntie Madge.

The News Boys is like some nightmare interbreeding of *Oliver!* with *Annie*. The screen fills with running, jumping and singing street urchins as a plot unfolds about the Brooklyn newsboys' strike of the 1890s. "It's a fine fine life!" they yodel (even the lyrics are borrowed from Lionel Bart) as they cartwheel through back-lot streets, led by Britain's Christian Bale (*Empire Of The Sun*) flexing a dese-dem-dose accent as the young strike-leader.

Robert Duvall (Joseph Pulitzer) and Ann-Margret (cabaret singer) raise their heads briefly above the parapet before retiring in shock. And Teddy Roosevelt, or an actor-lookalike, rolls in at the close to fold up the plot. It is as tuneless and witless an experience as I have had since the school production I appeared in of *Fings Ain't Wot The Used To Be*. ("A disaster": school magazine). Kenny Ortega directed.

As for Jon Acevski's *Freddie As F.R.O.7.*, a cartoon feature in which a secret-service frog saves Britain from a wicked Snake Queen who is stealing the national monuments (Big Ben, the Tower of London, Buckingham Palace), we quail at thoughts of your children's revenge if you subject them to it. They will probably arrange a return treat by taking you to the Tower of London and leaving you there. Dotty plot, drab characterisations, tuneless tunes: back, British animation, to the drawing board.

Alastair Muir

Stephen Boxer as Buckingham and Simon Russell Beale as the king

Theatre/ Stratford-upon-Avon

Richard III

THE longest-lived version of *Richard III* stayed unchallenged from 1700 until the 1820s; it was written by Colley Cibber, who acted it from 1700 to 1739. His Richard was a man of moral depravity and excellent wit, like the Restoration fops (Lord Foppington, Sir Novelty Fashion) Cibber habitually played.

Now another actor has followed Cibber's example in Sam Mendes' excellent touring production of *Richard III* at The Other Place.

Simon Russell Beale, an accomplished *foppiste*, has fashioned a strange, dangerous Richard: all irony and spite, redeemed by a scarifying wit. It is a wonderful portrayal and a fine, intelligent performance.

Beale hobbles noisily on to a dark silent stage; a bare light-bulb glows. Already controlling the audience, Beale begins to speak the familiar opening; he hates the words, the verse is barbed, impatient with civility, sneering. Careless of others' welfare and intent on his own, Beale's Richard has edge and depth.

Overall, the performance matches Beale's standards. The set (by Tim Hatley) combines simplicity and versatility, as befits a touring production. A bare dais fronts a grey wall punctuated by doors. Through the openings, livid hangings of red and blue appear. The lighting (Paul Pyant) is monochrome and the costumes plain black and white.

This is a lesson in economy and style, even if the props (strawberries, place markers for Council meetings, bowler hats for the Mayor and Londoners) threaten the clean lines.

A floor map of Britain unrolls for the plotting scenes before battle, a reminder that Richard and Richmond fought over the country's future.

Everywhere the production shows Mendes' acuity in finding a dramatic reason for each line. Margaret's cursing of the court, intoned from a chalk circle, makes an awkward scene powerful; it also provides a central motif, for she repeats her curse at the demise of Rivers, Grey, Hastings and Buckingham. Richard dies as he sees her walking across Bosworth Field.

At Bosworth, the ghosts of Richard's victims join him at table before the battle. His awakening after this dream – a waking which made David Garrick famous in the part (1741-76) – is beautifully controlled: quiet and honest. Shaw rightly called Richmond's address to his army "pious twaddle" compared to Richard's gutsy "To't pell mell, if not to heaven, then hand in hand to hell." Here, Mendes intercuts the two, making an exciting, pacy scene of the original staid oratory.

The cast has strength enough to allow Beale's occasional indulgences: barking dogs, *pace* Shakespeare, herald his entrances.

Queen Elizabeth (Kate Duchêne) and the deep revolving witty Buckingham (Stephen Boxer) are the foils to Richard, the one careful and resigned, the other bold then scared. Mark Benton and Christopher Hunter make fine unwilling murderers of Clarence.

The production tours England before arriving for the new year in London, 400 years after Shakespeare wrote it.

Andrew St George

Richard III, The Other Place, Stratford-upon-Avon.
Then on tour, September-December: Burton-on-Trent, Macclesfield, Doncaster, Milton Keynes, Truro, Barnstable, Middlesbrough, Carlisle, Belfast, Kendal, Gillingham, Braintree. January-March: London, Tokyo, Rotterdam.
Information available on (071) 588 4553, 24 hrs

London Promenade Concerts

Mahler

LOTHAR Zagrosek conducted the BBC Symphony Orchestra for Tuesday's Prom, a mainstream collation of Weber, Schumann and Mahler. Zagrosek's work with the BBCSO when he was a principal guest conductor was largely devoted to contemporary repertory; here, stretching himself back into the heart of the 19th century, he revealed a finely-tuned if rather cool sense of romantic style.

The orchestra played alertly and securely enough for him, without ever suggesting that the performances were on the point of spontaneous ignition.

Zagrosek began with the overture to Weber's *Oberon* and moved on to Schumann's First Symphony. With a little contrivance, such a programme could have been made profoundly thematic, for during his career as a conductor Mahler worked at performing versions of both Weber and Schumann, preparing scores of Weber's operas (a vocal one of *Oberon*) and "improved" orchestrations of all the Schumann symphonies.

Here the versions were the usual ones: never quite fleet-footed enough in the overture, a little under-powered in the outer movements of the symphony.

The songs for Mahler's *Des Knaben Wunderhorn* settings which made up the second half were shared between Yvonne Kenny and Wolfgang Schöne – who had been drafted as a late replacement for Thomas Hampson.

Ms Kenny was in sumptuous, resplendent voice; beautifully focused in all her contributions, never over-stressed or under-characterised. Schöne was less convincing; his approach was brazenly operatic, and his dark baritone lent an unexpected shade to some of the songs.

* * *

On Sunday, the annual visit to the Proms of the National Youth Orchestra of Great Britain had also focused on Mahler, adding the deeply Mahlerian Three Orchestral Pieces of Berg as preface.

Conducted by Tadaaki Otaka and complemented by the Bach Choir and the BBC Welsh Chorus, the NYO took on the Second Symphony. The match was a very fair one; the orchestra routinely brings forces of well over a 100 to its concerts and here there were 160 players to make the sonic splendour of the occasion never in doubt. The standard of playing too was remarkably high, with woodwind and brass solos in particular outstanding.

But the symphony lost some of its intensity under Otaka's brittle command, which cut rhythms down to the bare bone, and rarely gave phrases the opportunity to expand. Despite the weight of tone, the first movement seemed neutral and underpowered, and the numinous sense was never to be recaptured.

Jean Rigby was a compelling mezzo-soloist, Lesley Garrett a vivid, slightly pressured soprano one. In the end, the sheer commitment of the NYO rescued the occasion; it could, though, all have added up to much more.

Andrew Clements

Music in Tuscany

NOT exactly a festival, the *Incontri in terra di Siena* (encounters in the Siena territory) nevertheless constitute one of the most enjoyable, musical enterprises of the Tuscan summer. Focused largely in the little-known Val d'Orcia, this series of chamber music recitals offers varied fare to the inhabitants of southern Tuscany (including many Anglo-American residents) and to visitors from other parts of Italy.

After each concert, a fixed price supper – and the price is not excessive, considering the sumptuous and varied menus – is provided by the Fattoria dell'Amorosa, an elegant inn-restaurant, whose owner is one of the founders of the Incontri. These excellent meals in cool gardens have the atmosphere of a splendid, friendly party. And so, after an encounter with some fine music, the visitor can often encounter old friends or, in the relaxed cordiality, make new ones.

The musical director is the cellist Antonio Lysy, grandson of the writer Iris Origo, who – with her husband Antonio – settled in this area some 70 years ago and then made it familiar to readers everywhere with her beautifully-told account of *The War in Val d'Orcia* and, later, her serene and moving memoirs, *Images and Shadows*.

Lysy, who teaches at McGill University in Montreal for most of the year, assembles for these concerts an interesting, gifted and also homogeneous group of artists. Some – such as Jeffrey Swann and Jeremy Menuhin – are already internationally known. Others, perhaps less familiar to an Italian audience, are already well-launched on their careers.

The opening concert, in the gently sloping, tranquil courtyard of l'Amorosa, was to have featured the European Community Chamber Orchestra, but they had to cancel their Italian tour on very short notice. Fortunately, the Soloists of Zagreb – who arrived from their war-torn country under difficult circumstances – were able to replace the defectors and performed with unruffled, admirable grace and precision. Particularly effective were Janaček's youthful Suite for strings and the Haydn C-major cello concerto no. 1 with Lysy as the stylish, understated soloist.

Last year, the Incontri invited a contemporary composer – the Italian-Canadian John Rea – to spend a part of the summer in the Val d'Orcia and write a piece to be given its premiere in the course of this summer's concerts. And so, at La Chiarentana, in what was once the little square of a rustic hamlet, Rea's *Canto di Beatrice* for two sopranos and two cellos was heard for the first time.

Based on Canto XXXI of Dante's *Purgatorio*, the work makes ingenious use of voices and instruments, sometimes blending them, sometimes setting them one against the other, contrasting long held notes for one of the sopranos with intricate vocalises for the other. Constance Novis and Isa Maria Turri were the sensitive sopranos (not always sufficiently audible in the dispersive open air). Lysy was joined by Eduardo Vassallo for the not-easy but intriguing instrumental part of the piece, which lasted about a quarter-hour.

The seventh and last concert of the series was held in the medieval keep of the Castelluccio, whose once-stern walls enhanced spirited performances of the Mendelssohn octet and Tchaikovsky's string sextet *Souvenirs de Florence*. The loyal guests, after a final supper, left the broad green terrace above La Foce with warm souvenirs of a musically enriched summer.

William Weaver

INTERNATIONAL ARTS GUIDE

■ FRANKFURT

FRANKFURT FESTIVAL
The festival opens at the Alte Oper on Sat with the first of two concert performances of La fanciulla del West with Gwyneth Jones. Next Tues: Handel's Saul conducted by Helmuth Rilling. Aug 20 and 21: Maazel conducts the Pittsburgh Symphony Orchestra. The festival runs till the end of Sep (1340 400)

COOPERATION 92
The Frankfurt Opera's programme of pre-season events includes the European premiere of Philip Glass's opera Einstein on the Beach, in the original 1984 Brooklyn production directed by Bob Wilson with choreography by Linda Childs (Aug 19-22). The centrepiece of a Tel Aviv week beginning on Aug 29 is New Israeli Opera's production of The Turn of the Screw (236061)

JAZZ IM PALMENGARTEN
Open-air jazz concerts are given every second Thursday throughout the summer in the Palmengarten. Tonight at 19.30: saxophonist Ben van den Dungen and trumpeter Jarmo Hoogendijk plus supporting group. The next concert is on Aug 27.

ENGLISH THEATRE
Frankfurt's English theatre company opens its new season on Sep 12 with Passion Play, a 1981 comedy by British author Peter Nichols (till Nov 7). The season will also include Sandy Wilson's musical The Boyfriend, Ariel Dorfman's Death and the Maiden and Alan Ayckbourn's farce Taking Steps (Kaiserstrasse 52, 2423 1620)

■ HELSINKI

HELSINKI FESTIVAL
Mirella Freni and Nicolai Ghiaurov give a pre-festival concert of Italian and Russian opera arias tomorrow in Finlandia Hall, with orchestral accompaniment conducted by Roberto Abbado. The festival proper begins on Tues with a concert of works by Falla, Klami and Mahler, conducted by Miguel Gomez-Martinez. Other events in the opening week include a piano recital by Grigori Sokolov on Wed and the world premiere of Leo Brouwer's new guitar concerto on Fri.

Recitalists at the festival include Natalia Gutman, Brian Ganz and Kathleen Battle, and there will be performances of Die Frau ohne Schatten and Paul McCartney's Liverpool Oratorio.

The festival ends on Sep 6 (information from Helsinki Festival, Unioninkatu 28, 00100 Helsinki, tel 659688 fax 656715. Box office tel 644466)

■ LONDON

THEATRE

- Six Degrees of Separation: Stockard Channing recreates her role as the rich New Yorker transfigured by a black con artist in John Guare's play, now transferred from the Royal Court (Comedy 071-867 1111).
- Philadelphia, Here I Come!: excellent revival of Brian Friel's first successful play, about the dilemmas facing an Irish emigrant before he departs for the US (Wyndham's 071-867 1116).
- Street of Crocodiles: a new play based on short stories by Bruno Schulz, a Polish writer killed by the Gestapo, whose comic vision of small town life in pre-war years is populated by extraordinary characters. Opens tonight (Cottesloe, National Theatre 071-928 2252).
- Romeo and Juliet: Michael Maloney and Clare Holman as the star-crossed lovers in David Leveaux's RSC production. In repertory with Ben Jonson's The Alchemist and Richard Nelson's epic new play about Columbus (Barbican 071-638 8891).

- Death and the Maiden: A completely new cast, with Penny Downie as the woman scarred by her experiences of a dictatorship, has taken over in this long-running production of Ariel Dorfman's powerful three-hander (Duke of York's 071-836 9837).
- For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE
Royal Albert Hall 19.30 Henry Wood Proms: Peter Maxwell Davies conducts the BBC Philharmonic Orchestra in works by Mozart, Tchaikovsky, Beethoven and Maxwell Davies, with soloists Della Jones, David Wilson-Johnson and Colin Carr. Tomorrow: Dmitri Kitaenko conducts the Danish Radio Symphony Orchestra. Sat: Rozhdestvensky conducts the BBCSO. Sun: Claus Peter Flor conducts Weber and Mendelssohn. Mon: Christopher Hogwood conducts an all-Bach programme. Next week's Proms feature Yuri Bashmet, John Tomlinson and Klaus Tennstedt (071-823 9998)
Barbican 19.30 Travelling Opera in Le nozze di Figaro, also tomorrow. Sat: La bohème. Sun: Il barbiere di Siviglia. Mon: Moscow Philharmonic Orchestra. Next Wed, Thurs, Fri: Academy of St Martin in the Fields (071-638 8891)
Royal Festival Hall 19.30 English National Ballet in Ashton's production of Romeo and Juliet, also tomorrow and Sat. Next week: tribute to Fokine (071-928 8800)

■ NEW YORK

Alice Tully Hall 19.30 Davis Jerome conducts concert performances of Mozart's Apollo et Hyacinthus and Thamos. Sat: Gerard Schwarz conducts Il re pastore (CenterCharge 721 6500)
Avery Fisher Hall 20.00 Pinchas Zukerman and friends play chamber music by Mozart and Schumann. Tomorrow and Sat: Edo de Waart conducts Mostly Mozart Orchestra in works by Mozart and Haydn, with soloists Jeffrey Kahane and Pinchas Zukerman. Next Mon: concert performance of Lucio Silla with Cecilia Bartoli (875 5030)
New York State Theater 20.00 Guido Ajmone-Marsan conducts Nicholas Muni's production of La traviata, with Joan Gibbons as Violetta. Tomorrow: La bohème. Sat and next Wed: Turandot. Sun matinee: and Tues: Carmen (870 5570)

■ ROME

TERME DI CARACALLA
The final production of the season is Aida, with five remaining performances between tomorrow and Aug 23. Lorin Maazel conducts a concert performance of Porgy and Bess on Aug 26, and Mstislav Rostropovich conducts an orchestral concert on Aug 28 (488 3641)

■ SAN SEBASTIAN

SAN SEBASTIAN FESTIVAL
The Teatro Victoria Eugenia next week hosts two performances of Pier Luigi Pizzi's Monte Carlo production of L'Italiana in Algeri (Mon and Wed). Bruno Campanella conducts, with a cast including Martine Dupuy, Simone Alaimo and Rockwell Blake. Claudio Scimone conducts a programme of Rossini arias on Aug 22 and 23, followed by a concert of Czech music with Josef Suk and the Prague Chamber Orchestra on Aug 24. Simon Estes is soloist in a concert conducted by Lionel Friend on Aug 25, Christian Zacharias gives a piano recital on Aug 28 and the Frankfurt Radio Symphony Orchestra gives concerts on Aug 29 and 30 (481160)

■ WARSAW

Poland's internationally-renowned contemporary music festival, Warsaw Autumn, runs from Sep 18 to 27. This year's programme includes a large dose of Stockhausen, with the composer directing his own ensemble. Other guest artists include the Hilliard Ensemble, Les Percussions de Strasbourg and the Matrix Ensemble of London, who will perform Michael Finnissy's Vaudeville. Elgar Howarth will conduct Ligeti, and there will be a Berio and Henze concert conducted by Ingo Metzmacher.

The Polish input is led by the National Philharmonic Orchestra and Choir, who give the opening programme of works by Gorecki and Murail, and the Sinfonia Varsovia under Jerzy Maksymiuk, who conducts Penderecki and Szymanowski (Rynek Starego Miasta 27, 00272 Warsaw. Tel/Fax 310607)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Thursday August 13 1992

From Yukon to Yucatan

PRESIDENT GEORGE Bush gave vent to some uncharacteristically ringing phrases when he announced yesterday the completion of 14 months of negotiations for a North American Free Trade Agreement. It was, he said, "a good day for America, a good day for North America". It was also, he might have added, not a bad day for his own re-election campaign. At next week's Republican party convention in Houston, he will be able to boast an achievement in two areas – foreign and economic policy – where he has lately been found wanting. And for the rest of the campaign, while the US debate on whether to ratify the accord gets underway, he has a trade policy stick with which he hopes to beat his Democratic opponents.

But was yesterday really a good day for the three signatory states – the US, Canada and Mexico – and, more particularly, for those other countries and companies that invest in and export to them? The answer in both cases can only be a qualified yes.

The agreement will undoubtedly achieve some important political and economic aims: it should stimulate trade between the parties, help Mexico's President Carlos Salinas de Gortari lock in his liberal economic reforms, and assist his country on the road to prosperity – all objectives understandably close to Washington's heart. In time, if other Latin American countries are allowed to join, the accord could help to spread market-oriented policies throughout the American hemisphere.

Restrictive rules

Yet in some areas, it is questionable to what extent the agreement encourages free, as opposed to managed, trade. Highly restrictive rules of origin on car parts and textiles could tie the hands of foreign investors in Mexico and place other exporters at a significant disadvantage. Its protectionist arrangements for agriculture extend the iniquitous US sugar regime and may worsen the position of impoverished Caribbean sugar exporters. Within the free trade area, it sets high environmental standards that may erode some aspects of Mexico's comparative advantage.

These concerns are not large enough to render the overall agreement objectionable – at least, not as it stands. Indeed, the proposed Nafta probably sets up fewer impediments to external investment and trade than have been imposed by the European Community.

Congressional pressure

What is worrying is that the accord unveiled yesterday may not stand – that Congressional Democrats will overturn the "fast-track" authority that was granted to the Bush administration for approval (or rejection) of the package as a whole, and then seek to inject more protectionist regulations on the environment and on the labour market. That is certainly what Mr Richard Gephardt, the House majority leader, threatened to do last month. If he finds himself being forced to accede to Congressional pressure to subvert Nafta's liberal intentions, President Bush would be well-advised to call the whole exercise off.

That would be a pity. A genuine free trade agreement would bring great benefit both to North America and the rest of the world – provided, that is, it does not come to be seen as an alternative, rather than a complement, to multilateral free trade.

While the deal may not be inherently incompatible either with the General Agreement on Tariffs and Trade or with the sagging Uruguay round, there is a danger that it will become a political substitute for the latter – and thus postpone further the chances of completing it.

A Uruguay round agreement is still the most important trade prize which President Bush could offer his electorate. For the US, trade with other regions of the world is still more important than trade within North America. Little more than a quarter of US exports go to Mexico and Canada – a proportion that is likely to change only slowly once the agreement comes into force in 1994. This means that the US still has a real incentive to complete a multilateral accord bringing services and farm trade under the Gatt – more, perhaps, than the EC, whose member states do 74 per cent of their trade with one another. Will the US and Europe respond, or will they find themselves seduced by the siren voices of inward-looking, managed trade?

Risks facing Russian reform

THINGS ARE rotten in the state of Russian reform. Worse, the west's tardy assistance makes it appear as much a part of the problem as of the solution. If things continue to slide as they have in recent weeks, the question will soon be asked: who lost Russia? The answer would be that western small-mindedness played a substantial part.

The fundamental error of the west has been to view reform in the former Soviet Union, particularly in Russia, as just another of those problems of impoverishment that beset it. This attitude explains why assistance was offered too late and was probably too little. That is also why the inward-looking and overstretched Bretton Woods institutions have carried so much of the burden.

The west's stand-point shows a weak grasp of strategic imperatives. It is wrong because the collapse of a heavily armed superpower creates risks and opportunities on a much greater scale than, for example, Brazil. Reforming Russia is the most important economic challenge since the reconstruction of post-war western Europe.

The west's stand-point also shows a weak grasp of the economic requirements. Russia needs more moral support, more material aid and vastly more technical assistance than most other economies in difficulty. Without such support this round of reform will collapse in hyperinflation, possibly quite soon. The growing influence of industrialists whose skill lies in producing goods that nobody wants and the return of a central banker whose skill lies in printing money may not be surprising. But the consequences are predictable. Optimists may argue that a Weimar-style collapse could be the harbinger of real reform. But it could also mark the return of something far darker.

Grudgingly approved

It is already clear that the Russians are unlikely to receive further balance of payments or budgetary support this year on top of the paltry $1bn "first tranche" credit that the IMF has grudgingly approved. In addition, the absence of a medium-term debt service reduction agreement is hampering the Russian ability to plan reform at all. Meanwhile, western technical assistance is largely of the "fly in, lecture and fly out" variety. Yet Russia needs access to a wide range of western competence to solve the huge technical problems it faces; and it needs it on tap.

The west – probably under the purposive US leadership that has been so signally lacking – should have reached the following conclusions: first, macroeconomic stabilisation cannot be made a condition for assistance, but should be viewed as its hoped-for consequence; second, givers of technical assistance must work alongside the Russian government; and third, structural reform – the introduction of a market economy – is as important as stabilisation, quite possibly more so.

Required assistance

Moreover, it is far from clear that the IMF and the World Bank are the right institutions to deliver the required assistance. They were not thought the right institutions for postwar Europe.

It may already be too late to reverse the loss of momentum. But the effort should be made. Given the depreciation of the rouble, quite modest sums – as little as $5bn-$8bn – should enable Russia to balance its budget. The fiction that a few months from now Russia will service its debts must also be abandoned. It will not. A few years from now might be another matter. Furthermore, the group of seven industrial countries should ensure an adequate flow of technical assistance.

Assistance should not be given without conditions. But an austere target for this year's budget deficit is a misconceived precondition. The purpose of the assistance is to help close the deficit.

Above all, assistance should not be delayed until there is little risk of failure. Any assistance to Russia involves risk. But rarely can what is being risked have been so small – just a few billions of dollars – against the potential gain.

By waiting until the Russian government demonstrates it is likely to succeed, the west greatly increases the likelihood of its failure. Western governments must act decisively and involve themselves more fully, before it is too late.

The industry could have to spend up to £60bn to meet EC rules. But who should foot the bill? **Bronwen Maddox** reports

Quality of water is not cheap

Cleaner water means much higher water bills. That is the unpalatable logic which Mr Ian Byatt, director-general of Ofwat, the water industry watchdog, wants to drive home with his report The Cost of Quality, published today.

Mr Byatt, who has won a reputation as a confrontational regulator, will give the the first formal estimates of how much it will cost the 39 water companies of England and Wales to meet new European Community environmental rules. He will also say how much customers' bills might rise between 1995 and 2000 as a result.

The report, known as the Strategic Assessment, is expected to give a range of figures for capital spending, from the minimum needed to meet regulations up to the "pure green" standards favoured by environmental groups. Its projections are likely to be controversial on several fronts.

First, it will show that new environmental rules have pushed the industry's capital spending obligations far above the £28bn estimated in December 1989, when the 10 large water and sewerage companies of England and Wales were privatised.

Second, the increase will reopen the question of who should foot the bill – shareholder or customer. Customers' bills, already set to rise by 60 per cent above the level of inflation during the 1990s, could rise even more steeply. That will add to the row about whether the Scottish water industry should be privatised, already set to be one of this autumn's political battlegrounds.

Third, Ofwat wants water companies to spend the next six months asking customers how much they are prepared to pay for higher water quality. But users may find the choice between quality and price perplexing and worrying, although most customer complaints to Ofwat are now about high bills. In the words of one water company's finance director: "If you suggest lower water standards to most people they back away as if you are handing them a glass of filthy poison."

The degree to which Ofwat's report stirs up debate will depend on the figures it gives for water companies' investment obligations because of new EC environmental rules.

The government's original estimate of £28bn struck three years ago was made up of the cost of meeting EC directives on drinking water and beaches, plus some "catching-up" after a decade of under-investment. The 29 small water supply companies which remain in state hands had to pick up £4bn of the burden, but the other £24bn was to be borne by the 10 public water and sewerage companies, which planned to spread it evenly throughout the 1990s.

However, several large water companies now estimate that the total investment programme, if all directives are interpreted as stringently as possible, could total some £60bn, double the original figure.

The most expensive new obligation since privatisation is the EC directive on municipal waste water. Companies have to begin to treat more thoroughly the water and sewage they discharge into rivers and the sea. But the alternatives to present methods – such as building incinerators – are expensive.

The Water Services Association, which represents the 10 public companies, suggests that complying with the directive could cost £10bn. Individually, the companies put the cost to the industry at anything from £8bn to £15bn.

One reason for the wide range is that the exact interpretation of the directive by UK regulators is not yet clear, and companies hope the Ofwat report will help clarify the choices. Since privatisation, the Department of the Environment has also accelerated the clean-up of beaches, following the European Commission's threat of court action. Several water companies estimate this could add several billion pounds of spending.

They also estimate that it could cost £2bn to £3bn more than originally expected to meet the existing EC directive on removal of pesticides from drinking water. This month's report by the Drinking Water Inspectorate of England and Wales showed an apparent slight increase in the level of pesticides, but was unable to determine whether the increase was real or was due to a change in sampling techniques.

A World Health Organisation report later this year on acceptable levels of lead could also add £2bn to £3bn pounds to spending, the companies say. Almost all lead present in drinking water comes from the pipes connecting the customer's house to the mains, not from mains water itself. But replacing those supply pipes would be an expensive and lengthy process.

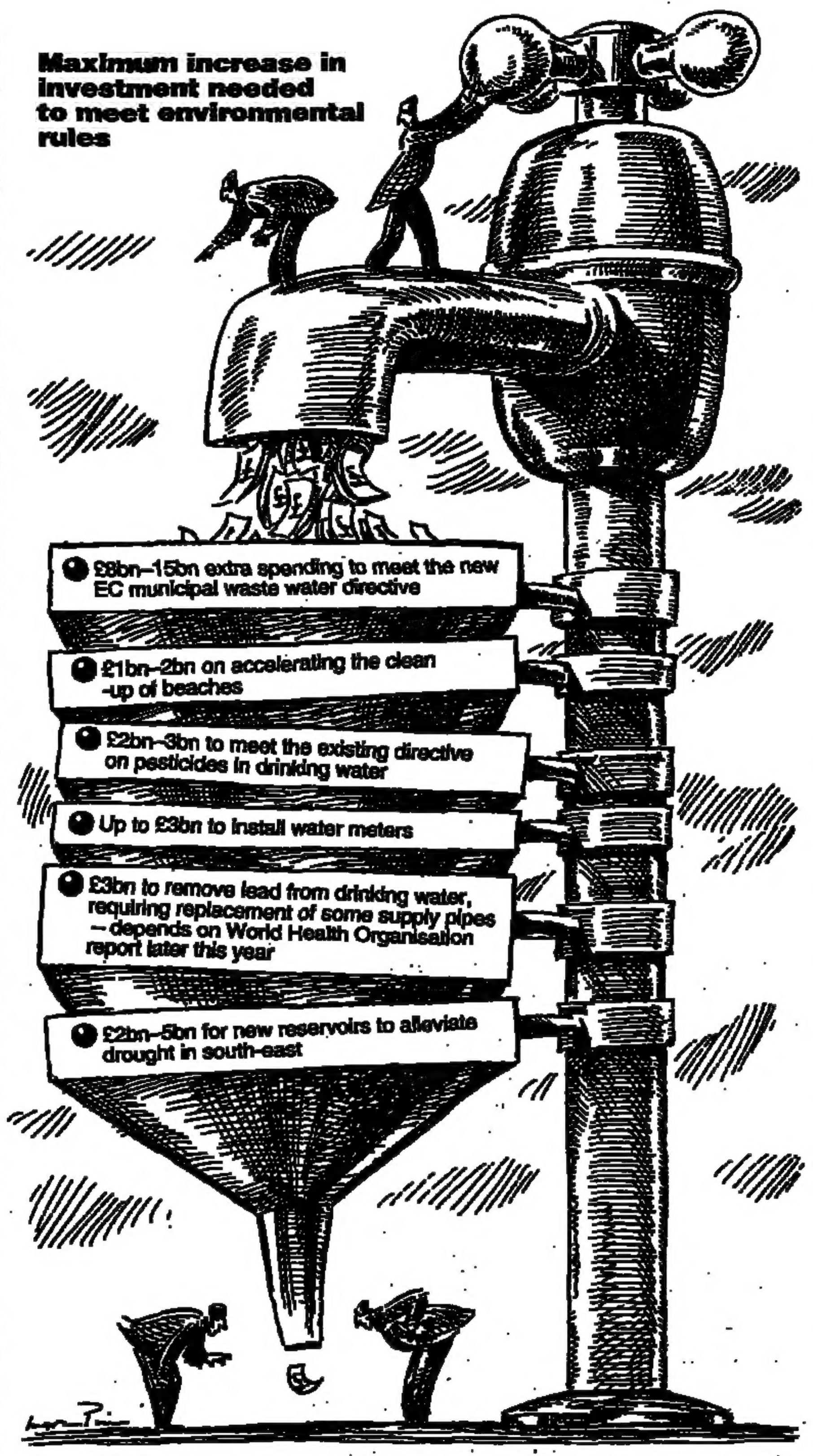
The cost of fitting water meters to households is a further unknown; estimates range from £500m to £3bn if most of the country was covered. Both Mr Byatt and Mr Michael Howard, the environment secretary, have thrown their support behind some metering as one of several measures to help curb the growth in demand for water.

But even with meters, the south-eastern water companies still foresee a water shortage, which could force them to build reservoirs. The cost could be £2bn to £5bn, City observers estimate.

Ofwat will do both the water industry and customers a great service by turning its spotlight on these costs, which have been the subject of intense debate in the UK since privatisation.

Of particular importance will be the regulator's views on the minimum investment needed to meet quality standards. Several water companies have argued that little of the total is discretionary. However, City observers, who suggest that it is in the water companies' interest to warn of the high cost, argue that the inescapable new investment is probably as low as £10bn to £15bn. They point out that much of the spending can be postponed until the next century, beyond the five-year window of Ofwat's projections.

What do the new investment burdens mean for customers' bills? This is the section of Ofwat's report that will provoke the most intense debate. Share prices of the water companies have been sliding in the past week on City fears that Mr Byatt may suggest that profits and dividends take some of the burden off water bills.



On the crudest calculations, if all the impact were passed through to customers, then the rise in bills would be steep. Consumer groups fear that bills could rise even more than the estimate made at the time of privatisation – 60 per cent above the rate of inflation.

However, the water companies emphasise that the relationship between capital spending and customers' bills is complex. The eventual rise in bills depends acutely on the rate of return on investment, the choice of debt or equity for funding, and the assumptions made about possible gains in efficiency.

The most sensitive of those issues, from the companies' point of view, is whether Ofwat allows them to earn as high a rate of return on their new investment as they have on past projects. They are worried that Mr Byatt would want to see a lower figure for future investment.

The water companies will also want to establish quickly whether the investment can be funded by debt, or whether they will have to raise new equity on the stock market. A precise estimate of the extra spending between 1995 and 2000 is critical, as this is the period when the public companies will be under greatest financial strain. On present plans, City stockbrokers predict that the companies will have debt-to-equity ratios of about 50 per cent at the worst point, and that interest charges will eat up about a quarter of operating profits. Shareholders are unlikely to welcome a worsening of those ratios.

Mr Byatt's comments on these points will give a clue to his current thinking on the thorny issue of how profitable the water companies should be.

The Strategic Assessment is one of the few formal statements that Ofwat will make before the Periodic Review in 1994, when it will review the companies' pricing structure.

At privatisation it was agreed that water prices would rise each year by the retail price index plus a factor K, where each company was alloted a different K. Ofwat and the water companies tangled last year year over the issue of future levels of K, when Ofwat questioned in a consultation paper whether profitability was too high.

The issue has resurfaced in the past month with the failure of British Gas and its regulator Ofgas to agree acceptable levels of return.

Questions of profitability and the level of water bills will also come under intense scrutiny this autumn when the Scottish Office is due to announce whether the Scottish water industry should be privatised. Mr Tom Clarke, shadow Scottish secretary, says that in his view "there is no doubt bills will soar" under privatisation, and the Scottish TUC has pledged to fight the proposals "tooth and nail".

Equipped with today's report, the water companies will have a further chance to debate these points with Ofwat. However, Mr Byatt also wants them to spend the next six months turning Ofwat's national projections into local figures, and asking their customers what level of service they want.

That is admirable in principle, but could prove tricky in practice. The water companies have long argued that many of the present standards are far higher than those needed to protect health. They have some basis for their claim that parts of the 1980 EC drinking water directive were passed in a wave of environmental enthusiasm with little regard to the costs.

But as the directive is already in force and much of the investment has been made, the scope for customer choice on that and many other topics may be limited. Mr Colin Skellett, group managing director of Wessex Water, said: "There needs to be a debate, but customer choice is only at the margin."

The real choice may lie not with customers but with the Department of the Environment, the National Rivers Authority and the Ministry of Agriculture, Farms and Fisheries when they decide how stringently to interpret the small print of the EC waste-water directive.

In bringing the full cost of environmental rules into the open, Mr Byatt's report may also discourage new regulations from being set without considering the impact on the customer.

If it does that, it will have performed a public service. It will also be welcomed by the City if it removes some of the uncertainty hanging over the companies.

But if its conclusion is that bills are set to rise even more steeply, it is likely to inflame the wider debate about the water companies' profitability and about the benefits of privatisation – a debate that is a long way from being settled.

BOOK REVIEW

Policy and pragmatism

MEETING THE GLOBAL CHALLENGE:
Establishing a successful European industrial policy
By Martin Bangemann
Kogan Page £14.95. 155 pages

The trouble with the concept of industrial policy is that it means different things to the same people. Most of us would agree, if asked, that industry is likely to be better run by industrialists than by civil servants. Many of us would also confess to a nagging sense that when it comes to the national interest, reason ought to work better than blind market forces. These positions are basically incompatible. That does not stop us holding both at once.

When it comes to European as opposed to national policy, it gets more tangled again. Most informed opinion in the EC would doubtless think it a good thing for Europe to have a competitor in, say, electronics or aerospace big enough to take on the giants of Japan or the US. But the British or German public might feel differently if the company in question turned out to be Italian or French. They might also take a different view on whether the aforesaid competitor deserved to be supported by EC funds.

Martin Bangemann, the EC commissioner for industry, has written a book which positively bristles with suppressed contradictions. He would probably not mind it being so described. He argues, as a politician, for compromise and dialogue. In politics, he remarks, this kind of thing passes as normal, since politics is considered a dirty business. Talk between government and industry, on the other hand, is regarded as a sin against free trade. This needs to change.

This does not necessarily make Bangemann an old-style interventionist, or indeed a dogmatist of any identifiable kind. Backing industrial sectors on strategic grounds, he says, only works if governments act like the private investor and think in terms of risk and reward. Anything else leads ultimately to subsidy. Subsidies are not a bad thing by definition, he adds cautiously. But propping up unprofitable companies by subsidy is "the most expensive and detestable form of social policy: pointless work is almost worse than no work at all".

If the book has a unifying thesis, it is that the best hope for European industry lies in the competitive discipline imposed by the single market. Companies which can hold their own in the single market are ready to take on the world. This need not mean giant European corporations: "Small is not always weak, and unprofitable and big is not always strong."

On examination, this last bit looks like a tactical disclaimer. In discussing industries as diverse as electronics, shipbuilding and aerospace, Bangemann works round to the conclusion that what is needed is size and agglomeration. European companies are generally not very big by comparison with their Japanese or American competitors. Size, he says, does not automatically mean monopoly. The European Commission needs to accept the single market as the yardstick in applying competition policy.

All this, of course, brings Bangemann into direct conflict with his opposite number Sir Leon Brittan, the competition commissioner. Sir Leon has provided a foreword to the book which is a model of the diplomatic put-down. "A thought-provoking book ... An important contribution ... Few readers, I suspect, will accept everything in this book ... there is much, indeed, that I would dispute myself."

All the same, Bangemann makes a powerful case against the idea that industrial policy can consist of leaving industry alone: what one might term in a UK context the Lilley doctrine. The fact is that governments are deeply involved whether they like it or not. They are, for a start, very important industrial customers. How they exercise their purchasing power – buying the cheapest possible rather than the technologically advanced, or giving orders to domestic companies to keep them in business – has a profound effect on how competitive those companies become in a wider world. When it comes to government orders, as Bangemann says, supply is only as good as demand.

It is also hard to disagree that the worst possible type of industrial policy is "that which is conducted half-heartedly and with a bad conscience". Indeed, the lack of a visible industrial policy can be dangerous. The likely result, as Bangemann says, is a concealed industrial policy, disguised as social, research or regional policy.

In the final analysis, the Bangemann approach is pragmatic. This leads to different answers for different industries. Shipbuilding needs active EC intervention and funding. The car industry needs the gradual introduction of Japanese competition as a means of forcing European carmakers to address world markets. The electronics industry needs the competition authorities to get out of the way so that it can get on with its own amalgamation.

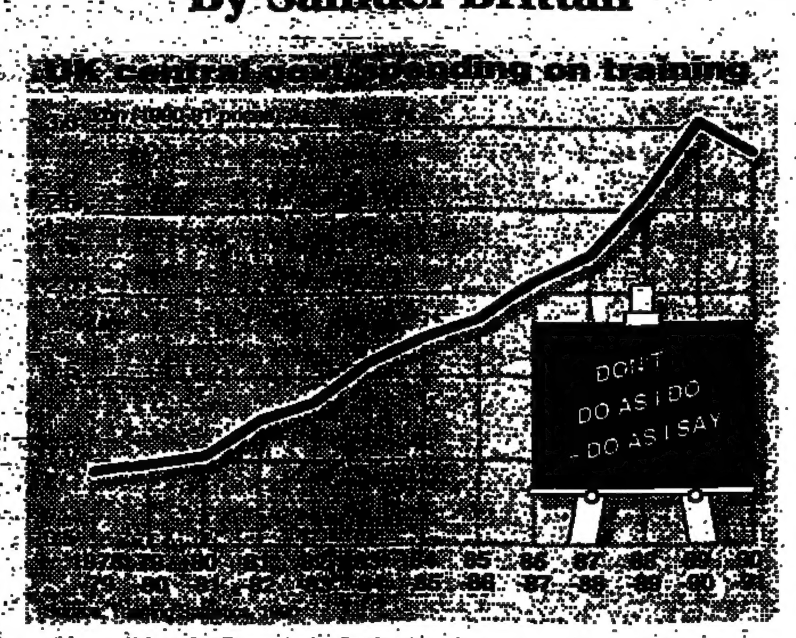
In each case, the approach is only as good as the analysis. In some cases there is, as Sir Leon would say, much to dispute. It follows that one does not come away from this short and readable book with a sense of a master-planner at work. And, some might say, a very good thing too.

Tony Jackson

ECONOMIC VIEWPOINT

Save us all from the credentialist fad

By Samuel Brittan



If there is one unquestioned business belief of our time it is the need for more vocational training in the UK. This has replaced socialism as the theme song of John Smith's Labour party. As shadow chancellor, his answer to every problem was to call for more training – or sometimes more "training and investment".

He was, of course, knocking against an open door. One of the few academic books defending the Thatcher decade, by Geoffrey Maynard*, made an exception of inadequate training effort. Nor was the Conservative government behindhand in following its critics.

Despite very recent fluctuations, central government spending on training trebled between 1978 and 1990. Total training expenditure, including individual loss of earnings to learn on the job, and expenditure by business, amounted in 1986-87 – the last year for which such a comprehensive estimate is available – to £33bn, or some 10 per cent of GDP. This was over and above education as such.

A small dent in the contemporary orthodoxy is made in a new study by J R Shackleton for the Institute of Economic Affairs.** It is not quite the neat surgical demolition for which I had hoped. But it does cast some very necessary doubts on the whole fad.

The idea that training is the main factor behind differences in national economic performance goes back to some pioneering studies made by an American economist, Edward Denison, in the 1960s. Denison tried to identify the contributions to growth from factors such as the expansion of the labour force and capital stock. His characteristic finding was that such statistical explanations left an unexplained residual, usually accounting for about half the growth rate in the better performing economies. Differences in training are simply one guess out of many attempts to explain the growth residual. But it is more difficult to establish a direct connection. The former Central Policy Review Staff – or cabinet think-tank – which was hardly a force against high-minded centralist thinking, failed to do so in a report over a decade ago.

Training can be divided into transferable skills useful in a wide variety of workplaces, and specific training of little use outside the company providing it. Most kinds of training have an element of both, but the distinction is clear. There is a theoretical danger of inadequate training in transferable skills. This is because employers will lose the value of the training they have provided to those who walk across the road to rival companies. In that case the benefits to the economy are "external" to the company itself: hence the jargon word "externality".

But this theoretical deficiency does not mean that the more the government spends on training, the better. Shackleton, unable to find any rate of return estimates for vocational training, cites a Department of Education paper for university degrees. This shows personal returns to the graduate from higher education more than three times as high as the social return. Both rates of return are based on differences between graduate and non-graduate earnings. But the private costs exclude government grants and contributions to fees and other university expenditure. Hence the much higher return. (The almost unbelievably high return to social science studies may be due to the inclusion of subjects such as law and business studies.)

Estimates of both rates of return may, however, be swollen to the extent that qualifications are used by employers as a filter to sort candidates. As Shackleton says: "Jobs which you could have obtained 20 years ago with O-levels now require A-levels or even degrees if you are to have a chance of getting them – even though the skills required have actually changed very little. This is what American educationalists call credentialism."

The UK has a similar proportion of the workforce with degrees and higher educational qualifications – about 17 per cent – as its main European competitors. Where it lags is in intermediate vocational qualifications. But training on the job is not always worse than paper qualifications, many of which have a remote connection with performance.

The IEA study has a useful warning about the much-praised German system based on formal apprenticeship and compulsory instruction in vocational schools. It is a highly corporatist system. Chambers of commerce, *Land* governments and unions together lay down tight specifications for about 400 recognised occupations. The laws prevent people setting up handicraft workshops and other enterprises without having a meister qualification: a system gently mocked by Richard Wagner in his opera more than a hundred years ago.

RATES OF RETURN TO A FIRST DEGREE, UK 1981-85

	Personal rates (%)	Social rates (%)
Social sciences	32.5	12.0
Engineering	34.0	7.5
Sciences	23.5	6.0
Arts	10.0	0.5
All subjects	27.5	8.0

Source: Dept of Education and Science, Top-up Loans for Students

German apprenticeships last three or more years – often much too long in modern conditions. A tell-tale sign of the real purpose of the system – to prevent low wage competition – is that unions are pressing for yet longer apprenticeships. Many skilled workers do not in practice use the skills for which they are trained and subsequently work in a different occupation. One study by an Anglo-German foundation found that samples of British young people were more enterprising in learning new skills and in reported experience of information technology.

In Britain, most of the government's training effort is being transferred to the Training and Enterprise Councils (Tecs), which are largely under the control of employers. But is it really such a good idea to place such responsibilities on part-time top executives? And is not the Conservative government's emphasis on businessmen doing its work for it indicative of a profound confusion about how an open market economy is supposed to work? In practice, chief executives drawn from the government Training Agency will be in control.

Another not-so-innocent body on the horizon is the National Council for Vocational Qualifications. By the end of 1992 it is hoped that 80 per cent of the workforce will be subject to NVQ, which has its own ambitions. All other certifying bodies must accept the NVQ philosophy. For government training funds are tied to NVQ recognition. In Shackleton's words: "Economists would not, as a general rule, accept that monopoly status of this sort is likely to encourage independent innovation and experimentation."

Indeed, one of the new system's severest critics has been Sigmund Prais, who was a pioneer of the movement to improve training and education, but now observes: "Too much emphasis has perhaps been placed on employers' needs for personnel capable of doing their immediate jobs, and too little on the longer-term needs of the economy and of individuals."

There are some better ideas, such as the government's Training Credit, which young people can use to select their own courses from approved lists. So far, the take-up has been limited, where it has been tried. One problem is that it is aimed at 16 and 17-year-olds, many more of whom are staying on at school. An extension to 18-plus might help.

Meanwhile, a tell-tale symptom is the high ratio of people talking about training, administering it or generally pushing it around, compared with the numbers actually helping young people to learn. The training industry is becoming a vast vested interest, dependent on government patronage, no worse but no better than other such interest groups.

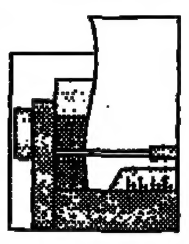
**The Economy Under Mrs Thatcher*, Blackwell, 1988.

***Training Too Much?*, Institute of Economic Affairs, £6.95.

PERSONAL VIEW

Models for Maastricht

By Larry Siedentop



The British prime minister's dismissal of worries about bureaucratic rule from Brussels as childish fantasy really will not do.

Two symptoms of the rapidly growing power of Brussels spring to mind. The main departments of state are spending increasing amounts of their time in dealing with Brussels regulations, either real or anticipated. Second, leading companies are spending increasing amounts of money to maintain a presence in Brussels, both of observers and legal representatives. The reason is clear: they perceive that in ever wider areas of public policy Brussels is prevailing.

What is disturbing for many people who are basically pro-European is that, since the Danish referendum, a British government allegedly concerned about "subsidiarity" has seemed to be playing the game of Mr Jacques Delors, president of the European Commission, and the French government, out of a spurious need to convince itself that our partners, especially the French and Germans, are convinced of Britain's commitment to Europe.

In light of that, fears have been expressed about Mr John Major's stubbornness, about the danger of inflexible commitment to the Maastricht treaty simply because he helped to negotiate it.

But the real danger lies elsewhere. What is taking place in Europe at the moment is a competition – one between three different models of the state to become the model for the European Community as a whole. These models are the French, the German and the British.

The French model is essentially a bureaucratic one, despite moves towards decentralisation in France in the last decade. The power of the French presidency has no real counterpart in other European countries, so that it has often been said under the Fifth Republic that the Elysée governs through the upper echelons of the civil service, sometimes virtually ignoring the prime minister and cabinet.

In such a system there is inevitably a large arbitrary element in decision-making, an element that encourages a scramble to shape decisions at the top by interests and groups that are well-placed. The crucial thing about the French

Power game: there is no real counterpart to France's President François Mitterrand elsewhere in Europe

model of the state is that it can easily be exported – for it amounts to little more than a formalisation of a centralised decision-making process, with a minimum of constraints. Power is the name of the game.

The German model of the state is at the other pole from the French. Partly inspired by American federalism as well as by the diversity of Germany before its unification under Prussia in 1870, the German constitution takes enormous trouble to create different spheres of authority and to protect each from the others – minimising the risk of encroachments from the central or federal government, not least by means of a powerful constitutional court.

For the Germans, therefore, talk of a "federal" future means a future with strict constraints on the growth of central power and adherence to the goal of a *Rechstaat*, the rule of law. Authority is the name of the game.

The British model of the state differs from both of these. Apart from not being federal, and vesting sovereignty in "the monarch in parliament", its hallmark is its informality, its reliance on precedent and customs – its common law character, so to speak.

In effect, the British model relies upon the existence of a distinct political class which agrees about the methods, if not the goals, of government. Until recent decades, it was also associated with considerable decentralisation of political power – although that was always *de facto* rather than *de jure*, and proved vulnerable to extreme centralising pressures during the Thatcher years. But what has survived even the dangerous centralisation of recent years, the virtual demise of local autonomy, is a model of government which is essentially consensual – putting a premium on mutual agreement governed not so much by formal principles (as in the *Rechstaat*) but by "common sense" – that term so used and abused in British political discourse.

In spite of its absurdities, that appeal to common sense does reveal something about the consensual character of this idiosyncratic political system, a form of the state in which custom is the name of the game.

However, today the idiosyncratic form of the British state is the rub. For it is a form of the state that cannot be exported. It is too embedded in a particular social context to make export possible. It relies on instincts, intimations and even social pressures which cannot be created *ex nihilo*.

Yet the British government and the political class have not really faced up to this problem. They go on relying on that British model as if it could be exported – and in doing so they are creating a danger that the least morally acceptable form of the state is the form that will prevail in the European Community.

The model that the British government has been holding up to Europe suffers from a serious lack of clarity. But that is a key to the fact that it is a model inspired by the British state in its traditional form, a form which does not inspire clear constitutional ideas. The appeal to "subsidiarity" resembles nothing so much as the *de facto* decentralisation which long accompanied parliamentary sovereignty – an alliance of central authority and local autonomy which was in a sense devoid of principle and dependent on manners or habits for the allocation of responsibilities between the centre and the periphery.

But "consent" in that traditional British form cannot now provide any adequate guidance for the construction of the EC. All that can be said about it is that as a model it requires more than mere economic association but less than federalism. Apart from that, it remains guesswork.

But to offer guesswork at this stage is extremely dangerous, for it is accompanied by strong attacks on the goal of a federal Europe – the goal which has long inspired democrats in Germany and smaller countries such as the Netherlands. In that sense, the reliance on the radically unclear British model of the state has been joined to rejection of the German model of the state for European construction.

What, then, remains? It is the French model, with its inbuilt predilection for power rather than authority. And that, of course, is precisely what lies behind the Maastricht agreement and pressures to move ahead rapidly along its lines. It amounts to an attempt to impose the French state on the rest of Europe.

The author is a fellow of Keble College, Oxford.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Not a tiny computer company

From Mr Adam Harris.

Sir, With reference to your article on personal computers of July 17 (Management: "Customers form queue for chips in newspapers") I would like to clarify what is obviously a misunderstanding about Opus Technology.

The article indicates that Opus is a "tiny company" with British Rail as its largest customer. I would just like to point out that Opus has a turnover of £55m, only some £5m short of Elonex, employs some 170 people and has an installed computer base of some 300,000 systems. We were also rated by the consultants Romtec and Dataquest to be equal No 1 in direct sales, only a few points behind Elonex in the total PC market and ahead of Dell, Tandon, etc.

Also, British Rail is not Opus's largest customer, as stated in your article, and, although being a major user of Opus systems, makes up less than 12 per cent of our total business. Opus has a corporate base which includes some very large names and accounts for 45 per cent of Opus business.

Finally, I would mention that Opus is one of the few (if not the only) companies which manufacture and fully meet BS7002/IEC950 Health & Safety approval.

Adam Harris,
managing director,
Opus Technology,
Redhill Business Park,
Bonehurst Road, Salfords,
Redhill, Surrey RH1 5YB

UN cannot respond to crisis in Somalia if it is starved of funds

From Prof H W Singer.

Sir, There are many good proposals in the article by Julian Ozanne (Personal View: "Hard lessons of Somalia's suffering", August 10) and one can only hope that it will be carefully read by those in a position to help. There are, however, two weaknesses in his proposals.

In the first place, while he blames the United Nations – which in his view "has failed to respond adequately to the crisis" – he himself later on points to a major reason for this, ie lack of resources. When talking of the need for a "massive and costly airlift" he says that "so far the funding for it has not been pledged". There's the rub. Major industrial countries have for a long time systematically marginalised the UN for any economic and social activities. The US in particular is not even paying its current contribution for the UN's normal work, let alone such costly new challenges.

In the second place, he gives sound advice for governments to be selective in donations of food and to avoid high-value commodities, such as rice and vegetable oil, which often attract violence and looting. The trouble is that even the low-cost food which he wants sent – ie wheat, maize and sorghum – also invites violence and looting in the desperate situation where everything is scarce and any kind of food becomes a weapon of war. The only alternative would be to saturate the country with the simple foods so that it is not worth fighting about any more.

But this raises the question of resources for such saturation and does not deal with the problem of looting the food to starve your enemy. Mr Ozanne says, addressing Gen Mohamed Farrar Aideed, one of the warlords, that "this type of obstruction must stop". Does Gen Mohamed Farrar Aideed read the FT?

H W Singer,
Institute of Development Studies,
University of Sussex,
Brighton BN1 9RE

No mention of women over 40

From Ms Elizabeth Balsom.

Sir, It is all very well for the Social Security Advisory Committee ("Retirement age of 65 proposed for men and women", August 4) and Howard Davies ("The pragmatic option on pension equality", August 7) to trumpet the virtues of raising the retirement age for women to 65, but they fail to address the issue of how likely women of that age are to find employers who want them.

I know many women in their 50s who have been coerced or cajoled into taking early retirement, while a cursory glance at the jobs column in any "quality" newspaper, including your own, indicates that anyone older than 35 need not waste time dusting off her (or indeed his) CV. If the old song is correct and "nobody loves a fairy when she's 40", what chance has she when she's 60-plus! It certainly seems unlikely that many UK employers will be lining up to investigate her charms.

It may suit the Treasury to withhold the state retirement pension until women reach 65, but does it suit Mr Davies's members to keep employing them? This is an aspect of the debate he failed to mention. Perhaps you could persuade him to pen another article on this very point. As for the government, if ministers are intent on raising women's retirement age, they should surely follow the lead of the United States and make it illegal to discriminate on grounds of age. Americans of my acquaintance gawp in horror at your appointments pages since, by their standards, the bulk of the advertisements you carry in your New York edition are breaking the law.

Elizabeth Balsom,
16 Coalecroft Road,
London SW15 6LP

A different impression of the situation in Cuba

From Joanna, Rachel and Caroline Lewis.

Sir, Having ourselves just returned from Cuba as independent travellers, we find it hard to agree with James Henderson's rather naive conclusion that the Cuban people "... certainly did not seem rebellious" ("Cuba: coping with inscrutable powers", August 9). This portrays an impression of ordinary Cubans impassive to what appeared to us to be an obviously deteriorating situation in their country. Our experience was very different.

As Spanish speakers, we had little difficulty in striking up conversations with Cubans who expressed a feeling of hopelessness and desperation; imprisoned on an island and trapped in a political regime they fear and despise.

Shops contain a bare minimum of rationed food – delivery of which is often haphazard. People *are* going hungry and admit only with embarrassment and shame that they have been reduced to supplementing their diet with cats.

Daily, people attempt in desperation to escape on inflated tyres to Florida. The risks of death are tremendous. We met the father of one such young man who had heard nothing from his son in weeks. He had no way of knowing whether he was alive or dead.

Too often, travel articles go by the unwritten rule that they be "jaunty" and "amusing" accounts of an unfamiliar system. Too often, this produces a superficial and inaccurate description of a country, its people and views. The people of Cuba certainly deserve better than this.

Joanna, Rachel
and Caroline Lewis,
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Recruiting and keeping union membership

From Mr Chris Rowley.

Sir, David Goodhart's article on trade union membership and recruitment (Management: "Stewards shop for new members", August 6), missed three important points:

- many of the term trends seen as working against unionisation were also operating during earlier periods of union growth;
- some unions have gained members in the 1980s;
- it is not simply a question of union recruitment of members that is critical, but their retention once they have joined.

Chris Rowley,
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OBSERVER

Pioneers under fire

■ Scottish bankers like to think of themselves as pioneers. The first Institute of Bankers was founded in Scotland as was the first savings bank and investment trust.

Talk to many of the top managers in overseas banks like the Hongkong and Shanghai and Standard Chartered and you find that they got their training behind a Scottish bank till.

But when it comes to playing with paper money, the Scots are way behind. The Royal Bank of Scotland is making much of yesterday's decision to stop burning its old bank notes after 264 years. Next week, an environmentally friendly granulator will take over.

Lord Younger was on hand to help chief stoker Joe Kelly torch the last £1m in front of an invited media cast. The bank has even issued a tie to commemorate the event.

For once, the Royal Bank seems to be one step ahead of its Scottish rivals. The Bank of Scotland and the Clydesdale still burn their notes, although the Clydesdale plans to stop soon.

However, the Bank of England has not burnt its notes for several years now and the last English bank to stop issuing its own bank notes was Fox Fowler & Co, over 70 years ago. How much longer are the Scots going to be allowed to carry on this unpatriotic practice?

Pru's new man

■ Since the Prudential, Britain's biggest institutional investor, is always banging on about the need for strong non-executive directors, it is interesting to see who it thinks fit to serve on its own board.

If its latest recruit, English China Clays' chief executive Andrew Teare, is anything to go by, then the Pru seems to be changing from its old ways of packing its board with old establishment figures.

Lord Hunt, the former Cabinet secretary, Lord Butterfield, a former vice-chancellor of Cambridge University, and Julius Neave, an old reinsurance hand, were all in their 70s when they retired from the Pru's board after the annual meeting in May.

The 49-year-old Teare is the first of a clutch of new non-executives expected to take their place around the Pru's boardroom table.

In many ways he is a classic example of what the Pru is looking for when it chivvies companies it invests in to strengthen their own boards. He has rejuvenated English China Clays and is one of a new generation of younger business leaders worth watching.

Even so, his judgment can sometimes be suspect. He backed Michael Heseltine in the Tory leadership contest following Lady Thatcher's resignation in 1990.

That said, he hasn't yet put a foot wrong in his business affairs.

Audit trail

■ Smart money is on Andrew Foster to replace Howard Davies as controller of the Audit Commission.

The commission is expected to announce later today that the 47-year-old ex-social worker who has worked for two formerly loony-left London councils is to head up the local government watchdog.

The appointment will be seen as a further attempt by the commission to mend its

bridges with local government. Under Howard Davies, the commission appeared increasingly critical of government policy, especially on the introduction of the poll tax.

A recent report on housing was delayed until after the election, so unfavourable were its conclusions for Whitehall.

Foster is clearly from the local government world; he was assistant director of social services for Haringey, north London, and director of social services for Greenwich, south London, and the county of North Yorkshire.

Equally important for the commission, which is responsible for NHS efficiency, Foster has health service experience as general manager of the Yorkshire regional health authority. He has been deputy chief executive of the NHS Management Executive since last year, working under Duncan Nichol to see through the government's health service reforms.

Perhaps his chief attraction for the headhunters Spencer Stuart and Associates was that he has never worked for McKinsey, the management consultants. (Howard Davies and his predecessor Sir John Banham both came from the McKinsey stable.)

Whether Foster will follow both of them to become director-general of the CBI remains to be seen.

Good golly

■ Are the Australians showing signs of Neighbourly remorse? Having inflicted their soap opera on the Brits for more than five years now, they are preparing to indoctrinate the younger generation with tales of the times when Mr Plod ruled the pavements.

BBC Enterprises, which bought the rights to Noddy, the 40-year-old Enid Blyton character, earlier this year, has just received an order for more than half a million copies of the entire Noddy book series from Australia – that's one Noddy for every three pre-school Australians.

The books about the flop-hatted garden gnome will fill four 40 ft containers. "It's a most significant sale," said a very pleased spokesman from BBC Enterprises.

Meanwhile, South Africa is also showing an interest. The series, stripped of all Blyton's racist innuendos (the controversial Golly has been supplanted by a Goblin), has been specially translated into Afrikaans.

Bubble

■ And what do you think about in the bath?

Design guru Sir Terence Conran, former husband of Superwoman Shirley and ex-chief executive of Storehouse, told London's Evening Standard that he likes to lie in his bath and "think about how the towel-dispenser is going to fit into the wash basin at Quaglino's".

FINANCIAL TIMES
Thursday August 13 1992

UK close to abandoning balanced-budget pledge

By Philip Stephens, Political Editor, in London

THE British government is close to dropping its commitment to balance the national budget over the economic cycle in favour of the less ambitious targets for fiscal deficits envisaged in the Maastricht accord on European monetary union.

Mr Norman Lamont, the UK chancellor, has insisted that there has been no shift in policy, but ministers acknowledge that it will be impossible to eliminate the large and rising public sector deficit before the general election due by 1997.

One suggestion is that a Yes vote for Maastricht in the French referendum next month would be followed by a recasting of British fiscal policy in the Treasury's November autumn statement.

It is being pointed out in government that the balanced budget doctrine – that deficits in times of recession should be matched by surpluses at the other end of the economic cycle – was framed when sterling was outside the European exchange rate mechanism.

The disciplines imposed by the ERM should allow for a more flexible approach to fiscal deficits. This would aim to stabilise over the medium term the ratio of public sector debt to national income.

Mr John Major, the UK prime minister, is thought to share the view that while the government must not relax its grip on fiscal policy, there is no particular virtue in the present precise, and unattainable, medium-term commitment.

The depth of the recession has led civil servants to write off the forecast in the March Budget that the budget deficit will fall to just below 1 per cent of national income by 1996-97. They believe the figure could be more than double that.

The Maastricht accord envisages that deficits should not average more than 3 per cent of national income over the economic cycle, with larger shortfalls in times of recession being matched by smaller gaps when economies are growing.

Government officials believe the guideline offers a more realistic target for Britain than one which would imply several years of huge surpluses at the end of the decade to counterbalance the present run of deficits.

Last month's cabinet agreement to stick to next year's target for public spending and to trim the cash totals for subsequent years is unlikely to make a significant dent in the underlying level of the deficit.

Ministers accept that only a return to the boom conditions of the late-1980s would be sufficient to eliminate, and then replace with a large surplus, a budget shortfall which is expected next year to reach £40bn, about 6 per cent of national income.

Even if the government could engineer such a boom it would undercut Mr Major's central ambition of permanently low inflation.

Mr Lamont has remained reluctant to admit to colleagues that a balanced budget is now out of reach. The chancellor is concerned that the admission could undermine confidence in sterling.

But a return of confidence in the ERM following the hoped-for endorsement of Maastricht by the French electorate would provide the backdrop for recasting the Treasury's budget guidelines.

Average budget deficits of below 3 per cent would also allow a stabilisation of the national debt-to-income ratio.

Farewell embrace: a father says goodbye to his son who is being evacuated from Sarajevo

Calls for UN protectorate in Bosnia

Continued from Page 1

parts of Bosnia "over time".

"We are talking about the breaking up of a state," a UN diplomat said. "We cannot endorse it. The question is if we can stop it."

UN protectorate status might not necessarily facilitate the restoration of Bosnia's original ethnic make-up or the return of the refugees. The diplomat said Croatia was doing "exactly what Serbia is doing". Both republics had "grabbed land. Both are accusing Moslems of setting up an Islamic fundamentalist state in Bosnia. Both are blaming the Moslems for obstructing any so-called peace talks. This is because Croatia and Serbia have nearly gotten what they wanted from the war in Bosnia. They are now in a position to sue for peace".

Mr Tudjman, who yesterday was sworn in as president after his Croatian Democratic Union was swept into power in last month's elections, said: "In Bosnia-Hercegovina, there are tendencies to create an Islamic state in Europe ... this is a world problem, and both Europe and the UN will have to deal with it."

Baker poised to take over Bush's re-election campaign

By Jurek Martin in Washington

THE TRANSFER of Mr James Baker from the US State Department to effective control of President George Bush's re-election campaign may be announced within the next 24 hours.

Mr Bush refused to confirm or deny what he called "press speculation" about his secretary of state and long-time confidant in a television interview on Tuesday night. But several officials said yesterday the announcement could come today or tomorrow.

It is not clear whether Mr Baker will resign his post formally, or merely step aside for the duration of the campaign. In either event, it is likely that his deputy, Mr Lawrence Eagleburger, will take over the formal reins of foreign policy. No confirmation bearings by Congress would be required for this move until after the election.

It is increasingly assumed that Mr Baker will operate from the administration, probably as a special counsellor, rather than the campaign. This would get round a provision of the 1989 Ethics Act that restricts communications between past and present members of the government.

Mr Lloyd Cutler, a prominent Washington lawyer and political insider, noted in a column in the Washington Post earlier this week that the provision could have prevented Mr Baker from talking to other cabinet members about policy issues. Even operating from the White House, Mr Cutler suggested, could present difficulties under the act.

The Republican hope is that Mr Baker will do for Mr Bush what he did in 1988, when he resigned as treasury secretary to take over the campaign. At that time, Mr Bush lagged behind Mr Michael Dukakis, the Democratic candidate, in the polls, though by nothing like the margin he now trails Mr Bill Clinton.

US may go ahead with Saudi order for warplanes

By Tony Walker in Cairo and Roger Matthews in Washington

A US agreement on $10bn in loan guarantees for Israel brought warnings yesterday that it could endanger the Middle East peace process and an indication that the administration might accept a Saudi Arabian request for a $5bn military aircraft order.

In Washington efforts began in Congress almost immediately to extract concessions from President George Bush on other issues, to facilitate speedy passage of the loan agreement. Senator Christopher Bond urged the administration to proceed with the sale of additional F-15 fighter aircraft to Saudi Arabia and warned that 40,000 jobs, most in his home state of Missouri, could be at stake if Riyadh's request was not approved.

A US official said later the president was seriously considering the sale, which had been requested last year. He denied that further consideration of the sale was linked to the loan guarantees agreement with Israel.

Saudi Arabia has asked for up to 62 F-15 aircraft as part of its military expansion programme following the defeat of Iraqi forces in Kuwait. Saudi officials have warned privately that if the US could not meet the order it might have to turn to Britain for additional Tornado aircraft.

Meanwhile, Palestinians have accused the administration of bias for providing the loan guarantees needed by Israel in its attempts to absorb a flood of Soviet immigrants.

Mrs Hanan Ashrawi, Palestinian spokeswoman, said: "If the loan guarantees are given while settlement activities are continuing, this invalidates the role of the US as a peace broker."

Negative Arab reaction can be seen partly as posturing ahead of the resumption of peace talks with Israel in Washington this month. Arab officials have indicated greater understanding in private of domestic pressures on both Mr Yitzhak Rabin, the Israeli leader, and Mr Bush.

Congressional leaders have told Mr Bush there is no prospect of the loan guarantees being approved before September, and there are still doubts about whether Mr Bush and Mr Rabin agreed that the cost of completing houses already being built in the occupied territories should be deducted from the total amount the US will guarantee.

Israel sought yesterday to reinforce its claims that it was doing all it could to rein in settlements by announcing a freeze on house purchases in Arab east Jerusalem. It also announced that apartments acquired by the Israeli Ministry of Housing under the previous pro-settlement Likud government would not be renovated.

Full details of the agreement reached by Mr Rabin and Mr Bush at the president's Kennebunkport holiday retreat have not been divulged, but the Israeli leader indicated they had reached private understanding after some difficult discussions.

Mr Rabin was deliberately vague when asked by Israel radio whether the US accepted his distinction between "political settlements", which he abhors, and "security settlements", which he favours.

"Wisdom lies in how to achieve what you want, in this instance guarantees, without causing a confrontation between two contrary positions," he said.

This is likely to fuel Arab concerns of a secret deal in which Mr Bush has sought to smooth differences on settlements to placate US Jewish voters in the run-up to the presidential election .

German cabinet backs curbs on health spending

Continued from Page 1

interpreted as interference with a citizen's right to practise his other occupation.

The minister's plan, which includes an obligation for consultants to pay half their private fees to the hospitals in which they work, and the introduction of a 10 per cent contribution from patients to drug costs, is mainly a holding operation.

His aim is first to restrain current cost increases, and follow up in 1995 with structural changes.

Meanwhile, hospitals will be forced to economise and drug companies will have to freeze their prices for two years at a level 5 per cent below those applying in May this year.

Germany's leading employers' association, the BVA, welcomed the moves as an "emergency operation". The health insurers' organisation said the benefits would outweigh the costs.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Boulogne	C	19	66	Frankfurt	F	24	75
Algiers	S	31	88	Brussels	F	20	68	Geneva	S	24	75
Amsterdam	F	19	66	Budapest	S	27	81	Gibraltar	S	25	77
Athens	S	35	95	Buenos Aires	F	16	61	Glasgow	C	12	54
Bahrain	S	37	97	Cairo	S	34	93	Helsinki	C	17	63
Bangkok	C	33	91	Cape Town	S	23	73	Hong Kong			
Barcelona	S	27	81	Caracas	F	28	82	Innsbruck	S	21	70
Beijing	C	29	84	Casablanca †	S	25	77	Inverness	F	15	59
Beirut	S	28	82	Chicago †	F	17	63	Islamabad	F	36	97
Belfast	F	13	55	Cologne	F	22	72	Istanbul	F	29	84
Belgrade	S	30	86	Copenhagen	S	22	72	Jakarta	C	32	90
Berlin	S	24	75	Corfu	S	35	95	Johannesburg	S	13	55
Biarritz	C	21	70	Dallas †	F	24	75	Lisbon	S	26	79
Bombay	Dr	27	81	Dublin	C	16	61	London	R	16	61
Bordeaux	F	24	75	Dubrovnik		–	–	Los Angeles †	S	19	66
				Edinburgh	F	14	57	Luxembourg	F	19	66
				Faro	S	26	79	Madeira	S	26	79
				Florence	F	27	81	Madrid	S	28	82

		°C	°F			°C	°F			°C	°F
Majorca	S	30	86	Oporto	S	23	73	Tenerife	S	28	82
[illegible]	[illegible]	27	81	Oslo	S	18	64	Tokyo	C	24	75
Malta	[illegible]	32	90	Paris	C	22	72	Toronto †	S	11	52
[illegible]	S	34	93	Prague	F	23	73	Tunis	S	32	90
[illegible]	F	7	45	Reykjavik	F	13	55	Valencia	S	29	84
[illegible]	[illegible]	23	73	Rhodes	S	29	84	Venice	S	29	84
[illegible]	[illegible]	29	84	Rio de Janeiro	F	29	84	Vienna	S	26	79
[illegible]	[illegible]	28	82	Rome	S	30	86	Warsaw	F	27	81
[illegible]	F	12	54	Salzburg	F	23	73	Washington †	S	20	68
[illegible]	[illegible]	27	81	S Francisco †	C	17	63	Zurich	S	21	70
[illegible]	[illegible]	21	[illegible]	Seoul	C	25	77				
[illegible]	S	23	73	Singapore	F	30	86				
[illegible]	F	30	86	Stockholm	F	19	66				
[illegible]	R	32	89	Strasbourg	F	25	77				
[illegible]	F	33	91	Sydney	S	20	68				
[illegible]	S	21	70	Taipei	F	34	93				
[illegible]	S	27	81	Tangier	S	28	82				
[illegible]	S	35	95	Tel Aviv	S	34	93				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Moving targets

The gilts market has long since given up assuming the government would live up to its commitment to a balanced budget over the economic cycle. Accordingly, it is unlikely to be perturbed to learn that the government itself is now having second thoughts. Thanks partly to the weak equity market, there has so far been little difficulty financing a PSBR which this year will be well over £30bn. Nonetheless, the Treasury faces a delicate task in communicating the change of heart to the outside world.

One danger is that spending ministers will conclude that the purse strings are about to be loosened, making the autumn spending round all the harder. Another is that financial markets will interpret the dropped target as a sign of flagging resolve. Sterling as well as the gilts market could then suffer at a time when the dwindling prospects for economic growth mean the PSBR is rising as a proportion of GDP. The budget forecast was for a deficit of 4.5 per cent this year and 4.75 per cent next. The figures now look more likely to be around 5.5 per cent and 6 per cent respectively.

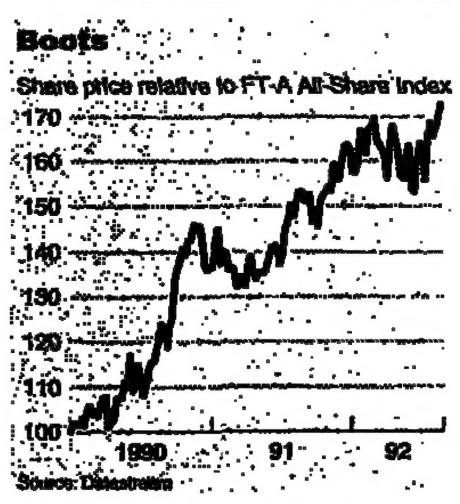
This is well below the double-digit deficits of the 1970s, but the PSBR still requires careful handling. The government would be greatly helped by a "yes" vote in next month's French referendum on the Maastricht treaty. If ERM stability is threatened by a "no" vote, the fiscal screws may have to be tightened further, whatever long-term fiscal target is by then in place.

Commercial Union

Interim figures from Commercial Union suggest that the upswing in the UK insurance cycle is arriving earlier and more strongly than the market had dared hope. Like General Accident, CU nudged into profit in the second quarter and sees underwriting conditions improving from here on.

Unlike the competition, however, CU has been building UK market share. Premium income from non-life business grew at an annual rate of 19 per cent in the first half. The natural suspicion is that this inevitably involves sacrificing quality, but there is scant evidence of underwriting weakness in the figures released yesterday. Indeed, CU is already making an underwriting profit on private and commercial motor business, domestic household lines and – were it not for the loss on bomb damage to its own headquarters – industrial fire insurance as well. The only trouble with

FT-SE Index: 2303.1 (-6.5)



such success in the present climate is the implication that CU could be less well geared for recovery than some weaker rivals.

The investment portfolio also has a defensive aspect. Only a quarter of assets is held in equities, with UK equities accounting for perhaps 20 per cent of this modest total. However, CU remains bearish and sees no reason to position itself for a recovery in UK corporate earnings. If this judgment proves correct, its own shares could still outperform both the market and the sector. They already offer one of the safer 7 per cent yields in the market.

Boots

Given previous hiccups, the UK authorities' decision to license Manoplax must be a great relief to Boots. Now the hope is for full approval in the US, so that Manoplax can be sold to treat heart failure either alone or in tandem with other drugs. Unfortunately, even this success serves only to buy Boots a little time. Its pharmaceuticals division has little in the pipeline and Boots is a tiddler in a market increasingly dominated by leviathans.

The company could hang on and reap good margins and cash flow from pharmaceuticals, accepting that it does not have the resources to become a major force. But selling out to a larger company has a strategic logic. With economies of scale in research and development, and the large sales forces needed to make drugs into market leaders, a bigger firm might squeeze more from Boots' existing products. A buyer might also improve Manoplax's marketability by combining it with other heart treatments.

For Boots the trick is to choose the right moment to sell. Estimates of a drug's earnings potential prior to launch are pretty speculative. A couple of years from now Manoplax's prospects will be clearer, more clinical trials will be completed and the drug will have started to acquire a track record. If that proves the right time, it still leaves the question of what Boots would do with the money. Shareholders must hope that the Ward White acquisition is no guide.

Queens Moat

Queens Moat's interim figures do little to correct the reputation for profligate expansion which caused it to turn repeatedly to its shareholders for rights issues during the 1980s. In contrast to Rank, which has imposed firm discipline on its capital spending during the recession, net debt rose by £85m to around £790m during the first half. This added 15 per cent to Queens Moat's interest bill, in turn marring a 16 per cent rise in operating profit.

In theory, the company should now be able to contain its borrowing. It has a sufficient presence in Europe to allow further expansion to be achieved in ways which generate rather than consume cash, such as leasing, management contracts and franchising. Gearing is only 60 per cent, even on the conservative basis with which Queens Moat values its assets. So there is no immediate need for more capital. Just the same, the market needs convincing of the company's self-discipline before putting the shares on a rating that reflects its ability to rise out the recession.

Japan

Rumours that the Japanese Ministry of Finance would allow banks to avoid disclosing losses on stocks were quickly denied yesterday, but the markets believe there is something to the story. Remarkably, bank shares were marked up despite the fall in the stock market, although the rise was small. Even in Europe, deferring the day of reckoning by six or 12 months might occasion a little rejoicing. Nor are UK investors immune from swallowing tall accounting tales. That said, Japanese investors must know that no amount of balance sheet magic can alter the awful stock and property losses facing the banks. The pain of asset deflation will not be soothed by jiggery-pokery.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 13 1992

INSIDE

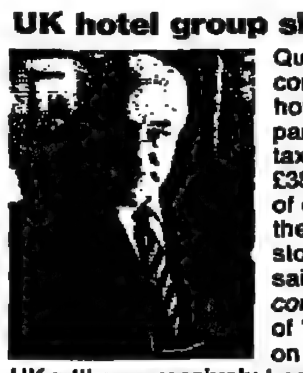
More restructuring for Monsanto

Mr Richard Mahoney, chairman and chief executive of Monsanto, keeps on juggling the company's assets. After two large restructurings in the 1980s, the process continued this month with the sale of the Fisher Controls valve and systems subsidiary for $1.27bn to Emerson Electric of Saint Louis, Missouri. Page 13

Research head suspended

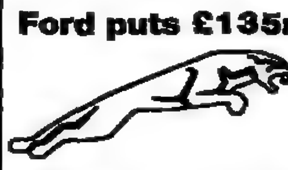
UBS Phillips & Drew, the leading securities firm, has suspended the head of its UK research department because he refused to cancel publication of a book which is critical of *the accounting techniques* used by *many of the* UK's biggest companies. Page 12

UK hotel group shifts emphasis



Queens Moat Houses' continental European hotels helped the company lift half-year pre-tax profits 5.4 per cent to £38.1m ($72.8m) in spite of continuing gloom in the UK. Mr John Bairstow (left), chairman, said the company would *continue its programme* of "vigorous expansion" on the continent. "The UK will progressively become one of our major areas of operation, rather than the mainstay of the business." Page 16; Lex, Page 10

Ford puts £135m into Jaguar



Ford Motor of the US has injected £135m ($257m) in new equity capital into Jaguar as part of a financial restructuring of its troubled UK luxury car subsidiary. The recapitalisation, disclosed in Jaguar's annual report, has been forced by the size of the losses suffered by Jaguar in the past three years. Page 15

Ghostbuster at Bunzl

The ghosts still walk at Bunzl, but less often, says Mr Tony Habgood, the chief executive brought in to exorcise the paper and packaging company's chequered past. "They don't parade around every night any more, perhaps just once a year," he says. Page 15

Free market pain in Bulgaria

The move to democracy and a market economy in Bulgaria has left its metals industry in crisis. Domestic sales have fallen 60 per cent as construction, electronics and machine building industries have floundered in the free market. Page 18

Kwik-Fit warning for tyre shares

Michelin

Share price (rebased)

Shares in European tyre companies could soon suffer if worsening conditions in the UK tyre replacement market spread to other markets. Shares in Kwik-Fit, the UK tyre and exhaust fitter, have fallen by more than 50 per cent to 98p *since the start of June.* The best performance this year has been by Michelin of France. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Hochtief	975	+	20
Lahmeyer	625	+	15
Falls			
AG Ind	546	–	13
Asko	731	–	14
Metallges	340	–	14
Philips	540	–	20

NEW YORK ($)

Rises			
Fluor Corp	39½	+	1½
McDonnell Doug	41⅞	+	1⅛
Paramanc Tech	42¼	+	3
Wells Fargo	69½	+	1¼
Falls			
Fed Express	41⅛	–	2¼
Safety-Kleen	26¼	–	1⅛

PARIS (FFr)

Rises			
BIC	798	+	13
Falls			
Bancaire Cie	339	–	11.3
CGIP	914	–	49
Coparex	615	–	30
Legris	325	–	11
Union Immob	385	–	13

TOKYO (Yen)

Falls			
Danippon	825	–	125
Kanematsu-NNK	249	–	41
Riken	340	–	85
Sumitomo Con	285	–	45
Teikoku Sen-I	222	–	38
Tokai Kanko	160	–	25

LONDON (Pence)

Rises			
Berkeley	200	+	10
Crown Eyeglass	170	+	7
Dawes Newman	24	+	4
Eurocamp	286	+	11
Higgs & Hill	48	+	6
Lee (A)	68	+	3
Lloyds Chmsts	217	+	10
Marley	73	+	4
Northrn Foods	249	+	17
Pentland	124	+	7
Richrdsns West	55	+	3
Sandvik	150	+	14
Suter	95	+	7
Falls			
Barratt (H)	13	–	4
Bensons Crisps	81	–	11
Breedon	74	–	8
Cullens	25	–	7
Forte	130	–	7
Hepworth	296	–	11
Kingston Oil	49	–	14
Learmth Brch	102	–	11
Mallett	62	–	8
Queens Moat	57	–	8
Tex Hldgs	20	–	8
Williams Hldgs	241	–	13

Nestlé deal to buy Perrier runs into snag

By Andrew Hill in Brussels and Ian Rodger in Zurich

THE DEAL struck last month between Nestlé and the European Commission permitting the Swiss food group to acquire Perrier has been shaken by the discovery that the French mineral water company does not own at least one of the eight springs that Nestlé has agreed to sell as part of the agreement.

And the real owner of the Thonon spring, the city of Thonon-les-Bains on the south shore of the Lake of Geneva, says it will not automatically approve the transfer of the concession that it had ceded to Perrier.

Mr Paul Neuraz, the mayor of Thonon, wrote a letter to Sir Leon Brittan, the EC competition commissioner, on July 30 explaining the city's position, but he has not yet received a reply.

The situation is potentially troublesome.

The commission's ruling on the Perrier acquisition obliged Nestlé to sell the eight minor brands with a view to creating a third force in the French mineral water business.

It stipulated further that the purchaser had to be approved by the commission.

Now the purchaser will also have to be approved, at least in respect of the Thonon spring, by the city of Thonon-les-Bains.

An EC official conceded yesterday that there was a problem.

Nestlé said it was unaware of the town's ownership until a few days ago.

"From the time we made our bid for Perrier in January until the commission approved it on July 22, we were not allowed to look inside Perrier," a spokesman said.

He added that it was possible, but not yet clear, that another of the eight springs to be sold, Vichy, was also held under a concession.

"I think we can find a solution that will satisfy Brussels and the legal requirements of Thonon," the Nestlé official said.

Thonon authorities worry that they will be the losers.

Their interest is that their spring be exploited to the maximum.

The Perrier concession is due to expire in 1994, and the town has just negotiated a boost in annual output, now about 35m litres, to 300m litres, as a condition of renewal.

It faces the prospect that the eventual purchaser of the other minor Perrier brands might not be as enthusiastic as Perrier about boosting output from the spring.

Hong Kong opens inquiry into Lee Ming Tee empire

By Simon Holberton in Hong Kong

THE FUTURE of Mr Lee Ming Tee's sprawling property-based empire was placed in doubt yesterday when the Hong Kong government appointed an inspector to investigate his flagship Allied Group and four other companies associated with him.

The government acted on advice from the Hong Kong Securities and Futures Commission (SFC), the corporate watchdog which, for the past nine months, has been investigating Allied's intra-group share dealings.

The inspector, likely to be named within a week, will investigate Allied Group, Allied Properties, Crusader Holdings, Paragon Holdings and Wai Yick.

In addition the SFC has gained suspension in share trading of five other companies connected with, or believed to be connected with, Mr Lee.

Mr Lee is of Malaysian-Chinese extraction and is an Australian citizen.

The source of his wealth has been a mystery, as was his decision to quit Australia for Hong Kong in 1986.

He is, however, noted for his astute move into the colony's excitable property market. Last year he acquired control of Asia Securities – one of the companies whose shares were suspended yesterday – from Mr Bill Wyllie, a local asset trader, who joined the Allied board in June.

Allied directors said they would co-operate fully with the inspector. They had not been warned that the group's shares would be suspended, and would seek an early resumption of trading after discussions with the SFC and the Hong Kong Stock Exchange.

The appointment of an inspector follows an SFC investigation into share dealings connected with an ambitious plan, announced by Mr Lee in November, to merge three listed associate companies with *Allied.*

Under pressure from shareholders he was forced to improve the terms of share swaps he proposed on two occasions.

However, in February Allied said it had abandoned the proposed *mergers* because of a review by the SFC into share dealings.

The SFC is empowered to conduct only preliminary investigations of companies.

KOP to take FM1.7bn government injection

By Robert Taylor in Stockholm

KANSALLIS-Osake-Pankki (KOP), Finland's largest commercial bank, announced yesterday that it would take a FM 1.7bn ($422m) financial injection from the Finnish government to strengthen its capital base and improve its capital requirement ratio.

The capital provision will bring an estimated immediate increase of approximately FM20bn in the bank's lending capacity. The group's half-year results are due to be released at the end of next month and are expected to show a continuing loss.

The capital injection comes from a FM8bn provision made by the Finnish government in June to strengthen the capital base of Finnish banks. This follows the creation earlier in the year of a FM20bn government deposit guarantee fund established in response to a serious deterioration in the country's banking sec*tor caused* by *mounting loan* losses.

Mr Pertti Voutilainen, KOP's chairman and chief executive, said the bank had been looking at different ways of strengthening its capital base to ensure capital adequacy requirements would "under no circumstances" constrain its business operations. "The capital investment offered by the state has turned out to be the most attractive alternative," he added.

As a result of the capital injection KOP said its capital ratio would rise nearly 1.5 per cent under both Bank for International Settlements and local regulations. At the end of April the bank's capital ratio stood at 8.9 per cent.

The injection takes the form of a preferred capital certificate and carries a coupon of 0.5 per cent a year over one-year Finnish Government Treasury Bills until the end of 1997.

KOP's action follows its reported loss of FM526.6m for the first quarter of the year and a loss of FM1.64bn for the whole of 1992 as a result of non-performing loans.

Since he became head of KOP last February Mr Voutilainen has been carrying out a comprehensive rationalisation of its organisation. *This has included halving* the size of its executive committee, a cut of 10 per cent in the bank's payroll by the end of the year and a shift in the focus of KOP's activities to basic banking services through a reallocation of its capital from property.

Speed of Salomon Brothers' return to health in wake of scandal is unmatched by regulatory changes, writes **Patrick Harverson**

US bond market takes time to heal

A year ago this week investigators from the Treasury, the Federal Reserve, the Securities and Exchange Commission and the Justice Department were crawling all over Wall Street to find out who had been involved in the rigging of billion-dollar treasury auctions. *At the same time,* on Capitol Hill, politicians were demanding a complete regulatory overhaul of the bond market in the wake of what one congressman said was "financial treason".

One year on, Salomon Brothers, the principal culprit, is in remarkably good health, even if the scars have not fully healed. The firm was forced into radical change after its bond-trading desk was discovered to have faked customer orders in treasury bond auctions. Much credit *for weathering the storm* has been given to Mr Warren Buffett, who took over as interim chairman of Salomon in the wake of the scandal and stepped down in June this year.

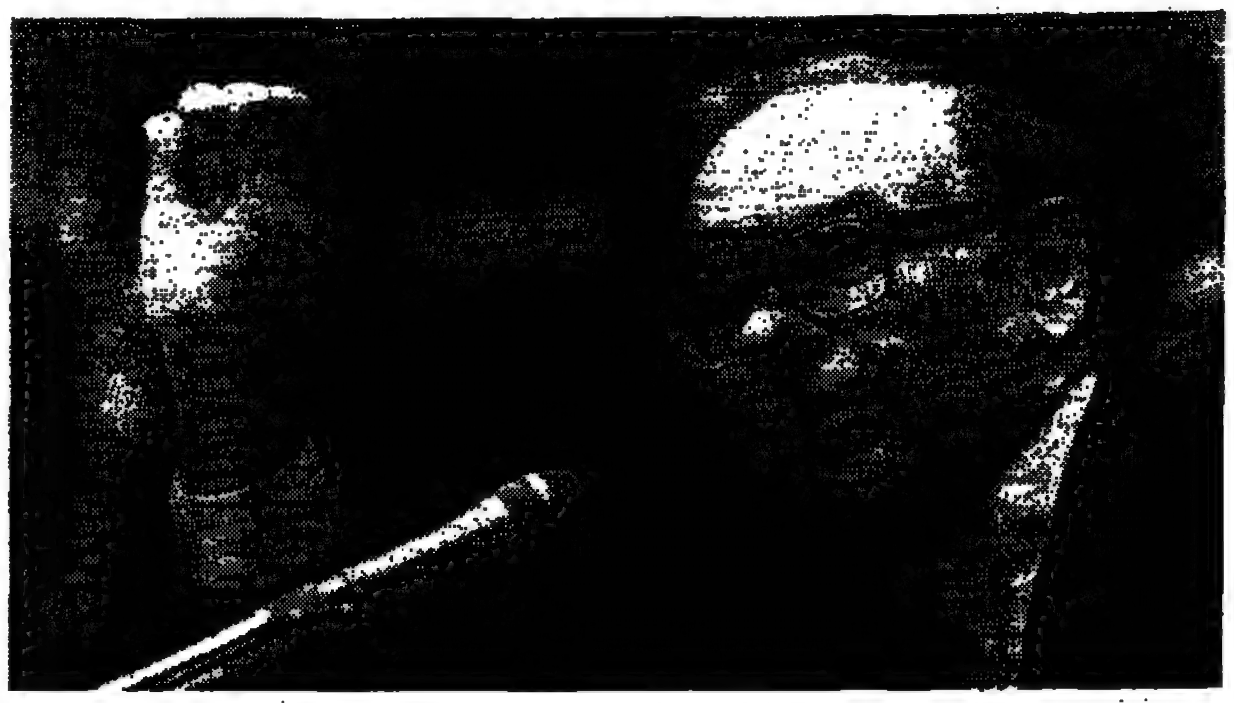
Last month the firm reported second quarter pre-tax operating profit of $647m, the largest by a publicly quoted Wall Street securities firm.

The bond market, however, looks much like it has for decades. The process by which the treasury sells the government's securities – which a year ago almost all agreed was antiquated and shoddily supervised – is virtually unchanged. This week, for example, the treasury will sell $36bn in new securities, in almost the same way it sold them before the scandal.

Some minor reforms have been introduced. For one, more institutions are eligible to become primary dealers. Yet the number of primary dealers (39), is the same as a year ago – the cost in committing to being a primary dealer has kept newcomers away.

The auctions remain dominated by a handful of big primary dealers, and most institutional buyers submit bids for bonds and notes through the dealers. The dealers have to cope with stricter surveillance by regulators, new rules about record-keeping, and random spot-checking of customer bids. The Salomon affair taught many dealers a sharp lesson in supervision, says Mr Patrick Rothstein, head of government securities at Merrill Lynch. He says: "The players [in the market] are now painfully aware of what can happen if you take your eye off the ball for a few moments."

The treasury says it will supply extra securities after auctions if it detects prices are being forced up by a supply shortage resulting from market manipulation. The new weapon has not been used, and the treasury hopes the threat will deter price "squeezes" of the kind Salomon created last year.



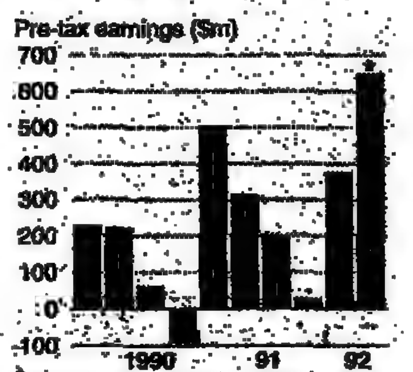
Steady hand: Warren Buffett, billionaire rescuer of Salomon Brothers

Some important planned reforms – reallocation of regulatory responsibilities among government agencies and the automation and redesign of the auction process – are a long way from implementation, mostly because of in-fighting on Capitol Hill.

A turf battle between different congressional committees has meant legislators have been unable to agree on the transfer of powers.

Salomon Brothers

Pre-tax earnings ($m)



* Excludes special charge of $186m resulting from US Govt Treasury Auction Investigations

Source: FT Graphite

The plan to give the SEC a regulatory role in the bond market has run into opposition. Mr Junius Peake, a financial consultant who testified before both congressional banking committees about market reform, says the secretary of the treasury should have a free hand to manage bond market operations: "I'm a little nervous about him being second-guessed by the SEC."

Government officials admit testing of a new computerised auction process is some way off, and that it might be years before a system is operating.

Ultimately, major market reform is unlikely because the government opposes it. Mr Jerome Powell, under-secretary of the treasury for finance, said recently: "I don't think fundamental changes in the bond market or in the way traders do business are called for, or will happen."

The investigation into whether other firms colluded with Salomon to break treasury market rules also seems to be progressing slowly. The authorities are keeping silent, but the roles of several of Salomon's clients whose names were linked to an auction the firm rigged last May have been investigated, including the powerful money managers Mr George Soros and Mr Michael Steinhardt.

The Salomon executives who resigned over the scandal will probably face civil charges related to the fact that they waited three months before reporting the bond desk's illegal activities to regulators.

The man at the centre of the whole affair, Mr Paul Mozer, the former head of bond trading at Salomon, is negotiating a plea bargain agreement with government prosecutors.

In a recent interview breaking his silence of a year, Mr Mozer said he was responsible for only one "spur-of-the-moment" infraction of the rules, and maintained he was being made a scapegoat by the media, congress and the new management of Salomon.

Salomon still has to fight more than 50 lawsuits related to the scandal, but its management believes the worst is over.

Salomon is suffering from scores of staff departures and defections that came in the first six months after the scandal, and it is only now regaining its footing in the profitable securities underwriting business.

It has also had to set aside almost $500m from the past year's earnings to pay government fines, settle SEC charges and cover the cost of future lawsuits.

Yet, restructuring of the firm's management in the past year, rationalisation of Salomon's compensation system, and shifting of resources to emphasise the firm's core strengths of bond sales and trading should all pay dividends in the long term.

It may be too early to tell, but Salomon could emerge from its troubles a better firm. Government officials argue that the same can be said about the treasury bond market, which they claim is better run and more efficiently regulated.

The lack of real progress on regulatory reform, however, and the likely long wait for the automated auctions the treasury promised last year, means the federal authorities have less to be pleased about than does Salomon.

Boots has licence for Manoplax

By Paul Abrahams in London

MANOPLAX, the cardiovascular drug whose success is vital for the credibility of Boots' pharmaceuticals drug research, received its first licence yesterday. UK regulatory authorities said the medicine, developed by the British retail and healthcare group, could be used to treat congestive heart failure.

The UK pharmaceutical market is only the fourth largest in Europe but the announcement is significant because it demonstrates that Boots has overcome regulators' fears about the drug's safety and effectiveness. Early clinical studies suggested Manoplax was ineffective.

Boots shares rose 7p to 429p in London.

"There is little else more important for the Boots' pharmaceuticals business than Manoplax. This is its first new drug for a long time and the division will depend on Manoplax to drive growth in the 1990s," said Mr Paul Krickler, pharmaceuticals analyst at Goldman Sachs.

Manoplax could generate revenues of between $100m and $150m by 1995, assuming swift US approval, said Mr Krickler.

The pharmaceuticals division's turnover last year was £699m ($1.3bn), generating operating profits of £120m, nearly a third of Boots' £374m pre-tax earnings.

Sir James Blyth, chief executive, said: "We confidently look forward to receiving further registration approvals in most major markets in the coming *months.*"

The company added that it expected to have approval in the US, the world's largest market, by the end of its financial year in March.

Boots takes heart, Page 16
Lex, Page 10

Novo Nordisk climbs on strong first-half sales

By Hilary Barnes in Copenhagen

NOVO NORDISK, the insulin and industrial enzymes giant, reported a 21 per cent rise in first-half sales from DKr4.45bn ($794m) last year to DKr5.38bn and a 42 per cent rise in net profits from DKr458m to DKr649m.

The results were better than expected and reflect a growth in sales volume, as exchange rates remained unchanged and prices stable, said the group.

Pre-tax income increased by 36 per cent from DKr693m to DKr941m, including a turn round in net financial items from a DKr24m loss last year to a DKr54m profit this year.

The group cautioned that stock building by important customers may mean slower growth in the second half.

Uncertain conditions in east Europe and an unstable currency situation may also adversely affect full-year earnings, the group said.

The interim statement maintained an earlier forecast that pre-tax profits for the year will increase by "at least 15 per cent".

Group investments this year will increase to DKr2bn from DKr1.3bn last year. Major projects include expansion of enzyme and insulin facilities in North Carolina, USA, and a new plant in Denmark for gynaecological products

Shareholders' equity increased during the half year by DKr631m to DKr10.11bn, some 63 per cent of total assets.

Earnings per share were up by 21 per cent from DKr14.39 to DKr17.42.

Sales increased by 21 per cent to DKr1.59bn in the bio-industrial group (enzymes and plant protection products), while sales by the health care group (diabetics' care and gynaecological products) increased by 18 per cent to DKr3.52bn.

UBS P&D researcher suspended over book deal

By Robert Pestonin London

UBS Phillips & Drew, the leading securities firm, has suspended the head of its UK research department because he refused to cancel publication of a book which is critical of the accounting techniques used by many of the UK's biggest companies.

Mr Terry Smith was given a deadline of yesterday afternoon to tell his publishers to abandon publication, which was scheduled for mid-September. He refused and P&D suspended him on full pay.

P&D is considering taking out an injunction to try to prevent publication of the book, called "Accounting for Growth".

The broking firm, which is owned by Union Bank of Switzerland, the biggest Swiss bank, is alleging that Mr Smith breached his contract and internal regulations. Mr Smith is contesting the allegations.

Mr Smith took on the commission for the book, from publishers Random Century, after discussing the project with senior executives of the firm, including Mr Hector Sants, vice-chairman. Initially, UBS was supportive of the project.

The book is an expanded version of award-winning research published by P&D in January 1991, which highlighted several accounting techniques used by UK companies to boost the level of profits they disclose or minimise the level of borrowings shown on their balance sheets.

P&D alleges Mr Smith was in breach of regulations for not showing the book to the 200 companies mentioned in it before the book received any publicity.

Commercial Union registers £2m profit

By Richard Lapper in London

COMMERCIAL Union, one of the largest UK composite (general and life) insurers, yesterday announced an improved performance in the first six months of 1992, with pre-tax losses falling to £18.1m ($34.3m) from £26.3m at the halfway stage last year.

CU posted a £2.3m profit in the second quarter, in spite of sustaining a £15m loss following the IRA bombing of its London headquarters in April.

First-half figures also indicated that CU, the most highly rated of the UK composites, is increasing premium income faster than its rivals.

Overall underwriting losses fell to £205.2m (from a loss of £228.3m), with UK underwriting losses £95.4m (a loss of £104.3m); Investment income (net of loan interest) fell to £129.4m (£145.1m).

Life profits fell to £50.7m (£53.7m) while associated undertakings' earnings amounted to £7m (£3.2m). Post-tax operating losses of £23.7m (up from £21.5m) were offset by realised investment gains of £182.4m (against £36.4m). The interim dividend was unchanged at 9.25p per share. There was a loss per share of 5.4p against 5p last time.

Mr Peter Ward, managing director UK, denied CU was "pursuing an aggressive policy" but accepted CU was "writing new business when some of our competitors are shedding business".

Premium income from UK motor insurance rose 52.9 per cent to £102m, reflecting rate increases and a 12 per cent increase in policyholders. Overall UK premium income rose 19.2 per cent to £709.9m. Life premiums grew 42 per cent to £272.2m, on strong sales of a new single premium bond.

Mr Ward said that CU was prioritising making sales of motor policies to drivers aged over 30 a priority and preferred to limit cover to named drivers.

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Swissair searches for flight plan to recovery

International airlines are struggling to secure their futures, but the Swiss carrier appears unable to establish a convincing strategy writes Ian Rodger

As of an aged movie queen, it might be said of Swissair these days that it has a great past. Investors, suppliers and even ordinary Swiss are questioning whether the distinguished airline has a future.

Swissair recently reported a record first-half loss of SFr116m ($87.8m), a reflection mainly of the cut-throat competition that has broken out on the North Atlantic this summer, but also of more serious structural problems.

The result was broadly in line with expectations, and Swissair bearer shares, which have lost more than half their value since 1989, scarcely moved from the SFr610 level.

But the big disappointment among investment analysts was that there was still no sign the airline was coming to grips with the challenges of the future.

At a time when even big airlines, such as British Airways and Air France, are making large-scale alliances to secure market share, Swissair seems unable to establish a convincing strategy.

"They have made a lot of little moves to keep up their quality, but nothing to improve their strategic position," Mr Dominique Bertrand, an analyst at Swiss Bank Corporation, says. "I would like to see them doing something that shows dynamism."

Swissair's dilemma is that its home country is too small to generate enough passengers to fill the non-stop flights that customers demand of an international airline. In addition, it is based in a country where wages are very high, and wages represent 40 per cent of its operating costs.

In the past, it could overcome these disadvantages by offering a better service than rivals and charging higher prices for it. Today, service on other leading airlines at least equals that of Swissair, and critics say the Swiss airline, which may be something of a paradigm of its country, has been slow to respond to the tougher environment.

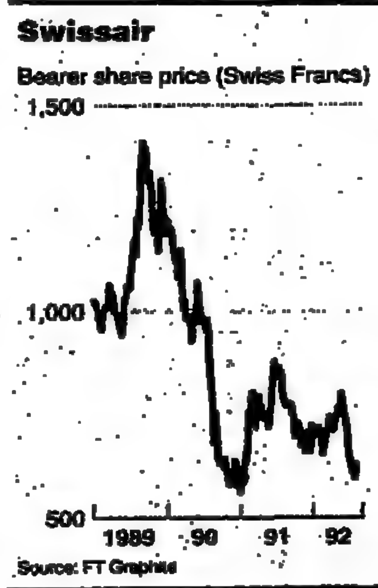
Swissair officials find this criticism unfair. They claim they were among the first to see the necessity of strategic alliances, setting up one for long-haul business with Delta Airlines of the US and Singapore Airlines in late 1989 and another with Austrian Airlines and Scandinavian Airlines in May, 1990, the so-called European Quality Alliance.

But Swissair looked to these alliances mainly for support in marketing and cost control. It was unwilling to commit to substantial financial pacts, so it could not force them to work.

And they have not worked out as well as the group hoped. Singapore Airlines has preferred, for the most part, to continue to go its own way, and SAS and Swissair have been unable to agree on combined aircraft purchase orders.

But the biggest setback was Delta's purchase last November of Pan American's European routes. This enabled the big US carrier, for which Swissair hoped to be a collector and distributor of European travellers, to compete head on with its partner at its Zurich base. If the two had had a stronger alliance, things might have turned out differently, analysts say.

There was a mild resurgence of confidence in the group in April when Mr Hannes Goetz, an executive who is credited with transforming the foundries group, George Fischer, was appointed chairman. The shares rose from around SFr700 in early April to their peak for the year of SFr765 in late May.



But by then the severity of the North Atlantic fare war was becoming apparent, and Swissair warned its earnings trend was "unsatisfactory", sending the shares plunging again. The North Atlantic accounts for about a quarter of the airline's business, and its returns from there were being hit both by lower ticket prices and by the weakening of the dollar against the Swiss franc.

The airline was already in the midst of a four-year programme to slash internal costs by SFr300m, but it suddenly accelerated the pace. It rationalised its freight haulage business, announced 400 redundancies in its 6,000-strong administration staff and ordered its two charter subsidiaries, Balair in Basle and CTA in Geneva, to combine as many of their activities as possible.

Swissair executives remain defensive about their strategy. Mr Paul Müller, a director, admitted recently there were weaknesses in the kind of co-operation agreements the airline had established. But he saw no need to rush out and do a big deal just because British Airways did one. "Co-operation gives you independence but doesn't bring security. Mergers can give security, but only the security that you will share the same fate. And decision making will be in the hands of others."

Mr Müller said Swissair still wanted to be independent and try to capitalise on its reputation for quality. "Our future lies in management – among other things, management of airlines. We do not mean to gobble them up but to sell them management services."

Analysts remain unimpressed. "I think things will get better in the next few months, but I do not think Swissair will make enough money to attract investors," says Mr Urs Kunz, an analyst at Crédit Suisse.

Mr Kunz says the airline has to seek a large partner if it is to thrive, but neither the airline management nor the Swiss government bodies which hold 22 per cent of the shares, are ready to think about that seriously. "When the situation gets worse, people will think more about it," he predicts.

Paris bourse suspends MMB shares

By Alice Rawsthorn in Paris

MMB, the holding company which has been clouded by controversy over its attempts to merge its Matra defence electronics and Hachette publishing interests, yesterday saw its shares suspended on the Paris stock market.

The Sociétés des Bourses Françaises (SBF), which runs the Paris markets, said that MMB's shares would be suspended until tomorrow because of "disorderly movements" in the price over the past few days.

Shares were suspended at Tuesday's closing price of FFr92 ($18.43). The suspension comes at a time when MMB is in the final stages of completing the merger between Matra and Hachette.

It comes shortly after news that Northern Telecom, the Canadian telecommunications group, is investing FFr1.36bn in Matra's telecommunications division, and was negotiating to take a stake in the new merged group.

Mr Jean-Luc Lagardère, the chairman of Matra and Hachette whose family controls MMB, has come under fierce criticism for his plan to merge the two companies because of the apparent incompatibility of their interests. The merger will include combining some central administrative areas to cut corporate costs.

Mr Lagardère's plan has been seen as particularly sensitive given Hachette's recent financial problems following the collapse of La Cinq, the French TV company.

Hachette recently secured shareholder approval for a FFr2.8bn recapitalisation package to reduce its debt and restructure its finances before the merger with Matra.

However, the suspension comes while Mr Lagardère is negotiating with prospective shareholders over the scale and cost of their potential investment in the merged group.

Norgeskreditt improves

By Karen Fossli in Oslo

NORGESKREDITT, the Norwegian private sector mortgage company, yesterday reported an advance in first-half operating profit to NKr66.6m ($11.6m) from NKr54.9m in the last reporting period.

The company previously published interim figures every four months and this year's first half-year statement has been compared with the result at end-August, 1991 converted into half-yearly figures.

Norgeskreditt was listed on the Oslo bourse on July 6 and has expanded its share capital to NKr1.53bn through two share issues. Its equity ratio in relation to risk-weighted balance sheet items is 14.4 per cent.

Net interest income dipped to NKr105.3m from NKr106.9m but credit losses decreased to NKr22.1m from NKr28m.

Operating expenses rose slightly to NKr26.7m, representing 0.25 per cent per annum of average total assets, from NKr25.8m.

Nevertheless, Norgeskreditt said that expenses had developed according to expectations.

Group loans fell to NKr18.79bn at June 30 from NKr19.46bn at the beginning of the year.

Telebras plans placement of ADRs

By Bill Hinchberger in Sao Paulo

TELEBRAS, the state-owned telecommunications holding company, has received government authorisation to make a foreign equities offering of up to $500m.

It plans to ask the US Securities and Exchange Commission for approval of a placement of American depository receipts (ADRs) this month and hopes to make the issue by the end of the year.

To meet that deadline, Telebras is expected to make a private placement under the SEC's 144A provision. It would be the first such offering by a Brazilian company, said Mr Juarez Cordeiro Ribeiro, assistant finance director.

In May, Aracruz Celulose, a leading pulp and paper exporter, became the first Brazilian company to be traded on Wall Street by making a $132.5m ADR offering.

The 144A process is quicker than the level three, used by Aracruz, because company books do not have to be adapted to meet SEC standards.

The offering will help to finance $3bn of investments for 1992 which include 983,000 additional lines for the country's telephone system.

Mr Ribeiro said Telebras expected to make its fourth Eurobond issue of the year shortly.

Federated Department Stores cuts net deficit

By Nikki Tait in New York

FEDERATED Department Stores, the large US department store group which recently emerged from bankruptcy, made a reduced $29.4m loss after tax in the second quarter to August 1 and an operating profit of $27.3m.

In the same period a year earlier, the net loss was $143.8m, while operating profit totalled just $8.5m.

Sales fell year-on-year to $1.46bn, compared with $1.49bn, but this partly reflects the reduction in stores operated. Federated said that same-store sales increased by 1.7 per cent.

The results take the first half loss after tax to $17.6m, compared with $208m a year earlier.

Yesterday, Mr Allen Questrom, Federated's chairman, said the figures were better than anticipated, and he expected a "modest improvement" for the rest of the year, with business strengthening the key fourth quarter.

The group takes in over 220 department stores, including the Bloomingdale's outlets, The Bon Marche, Jordan Marsh and Abraham & Straus. Federated shares were unchanged at $13⅞ yesterday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 13.08.92: Pool purchase price £/MWh	Firm Prices for Trading on 14.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.00	19.30	19.30
0100	18.00	17.94	17.94
0130	18.00	17.79	17.79
0200	17.71	17.79	17.79
0230	17.71	17.79	17.79
0300	17.71	17.79	17.79
0330	17.71	17.79	17.79
0400	17.71	17.79	17.79
0430	17.71	17.79	17.79
0500	17.71	17.79	17.79
0530	17.69	19.81	20.96
0600	17.64	19.81	20.96
0630	17.69	19.81	20.97
0700	17.70	21.76	23.01
0730	24.38	24.10	25.40
0800	24.86	24.46	25.76
0830	25.32	25.83	27.12
0900	26.70	26.64	27.96
0930	30.34	28.29	29.68
1000	30.34	28.35	29.72
1030	30.35	28.35	29.71
1100	30.35	28.37	29.72
1130	30.37	28.49	29.87
1200	28.08	28.62	30.02
1230	28.08	28.63	30.01
1300	28.03	28.47	29.83
1330	28.70	28.25	29.56
1400	28.28	28.14	29.44
1430	25.32	32.85	34.27
1500	25.32	32.88	34.27
1530	25.32	28.14	29.43
1600	24.98	28.19	29.50
1630	24.86	28.29	29.62
1700	24.98	28.31	29.64
1730	24.98	28.21	29.52
1800	24.98	28.07	29.36
1830	24.86	25.79	27.01
1900	23.51	25.18	26.41
1930	23.51	24.84	26.08
2000	20.03	24.47	25.70
2030	22.00	24.47	25.70
2100	25.62	24.47	25.70
2130	28.00	28.00	29.33
2200	28.00	28.00	29.25
2230	25.62	28.00	29.17
2300	23.11	27.99	29.29
2330	22.67	23.67	24.92
2400	17.90	21.52	22.72

Prices are determined for every half-hour in each twenty four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-454789 between 8.30am and 5.15pm Monday to Friday.

NGC Settlements Limited 1992

Monsanto keeps juggling the assets

Paul Abrahams and **Alan Friedman** assess the US group's prospects

MR Richard Mahoney, chairman and chief executive of Monsanto, keeps on juggling the company's assets. After two significant restructurings in the 1980s the process continued this month with the sale of the Fisher Controls valve and systems subsidiary for $1.28bn to Emerson Electric of Saint Louis, Missouri.

But the US chemicals group prefers to describe the Fisher sale and indeed its overall strategy as a fine-tuning of its product portfolio that is very much in line with the trend in the sector.

Yet there can be no doubt Monsanto is facing a difficult period. After stripping out special restructuring charges in 1991, its underlying net income was down nearly 16 per cent in the first six months of 1992.

Mr Mahoney's stated target of ensuring a 20 per cent return on shareholders capital seems increasingly difficult. The problem is the jewels in Monsanto's crown are looking somewhat tarnished.

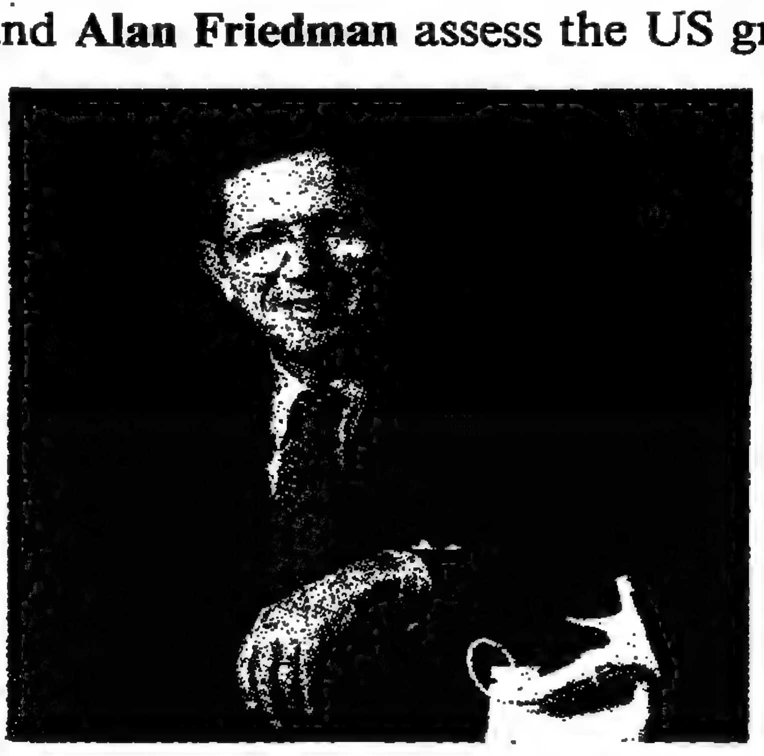
Take Roundup, the herbicide and world's best-selling agrochemical. Mr Mahoney said there had never been an agrochemical like it. The product represents 60 per cent of Monsanto's agrochemicals business, whose sales have stagnated at $1.7bn over the past three years.

Roundup's US and European patents expired last year and by last October its price had fallen by 45 per cent as the group faced competition from generic producers of the same product.

New agrochemical products are in the pipeline and high hopes have been expressed for Monsanto's new crabgrass herbicide, Dimension. It received US approval last year and Mr Mahoney hopes it will generate $100m sales.

Monsanto, as the world's seventh largest agrochemical company with 6.3 per cent of the world market, also faces upheavals caused by the reforms of the European common agricultural policy. These threaten to cut demand in the world's largest market by up to 15 per cent over the next three years.

The company, however, feels that while changes in the CAP could reduce opportunities in the short term, there are still greater potential gains to be had worldwide from a successful completion of the General Agreement on Tariffs and Trade (Gatt) negotiations.



Mahoney: 'Group's structure is mostly in place'

The group's efforts to generate other new products have not always been successful. It has invested more than $1bn since 1981 on biotechnology to try to escape the traditional cycles of the chemicals market. The results so far have been disappointing.

The largest investment, estimated by analysts at about $250m, was on bovine somatotropin – commonly known as BST – which is a hormone product designed to increase milk production in cows.

The company is still waiting for US and European regulatory approval and argues that BST will lower the fixed costs of milk production. It is far from clear whether the world's developed nations need more milk.

Meanwhile, other jewels look dull. Nutrasweet, described by Mr Mahoney as the most successful new food ingredient of the past 20 years, comes off patent in December. Last year Nutrasweet's sales growth was only 2 per cent. Operating income was reduced by $10m in 1991 to $173m by a one-time restructuring charge.

In the first six months of 1992, Nutrasweet's operating profits were $87m, down from $96m because of lower prices mandated by contracts with customers well aware the patent is due to expire soon.

Mr Mahoney expected competition from generic competitors and new products. A new Monsanto product, Sweetner 2000, will be sent to the US *Food and Drug Administration* (FDA) soon. In addition, sales of Simplesse fat substitute have been disappointing and the product is in loss.

Monsanto's Searle pharmaceuticals operations, with sales last year of $1.53bn and operating profits of $170m, are tiny compared with the industry's giants. The division is suffering from competition from generic producers, but is hoping to launch new products to make up for this. In the first half of 1992 Searle suffered a $16m operating loss.

Calan, a drug used in treating hypertension, accounted for one third of last year's $1.53bn of sales. But the FDA has just given preliminary approval to a generic version and this could slash sales of Calan by as much as 50 per cent over the next couple of years.

The group's performance is not being helped by its chemicals businesses which continue to suffer from recession. The division, which manufactures plastics, fibres, resins and rubber chemicals, bore the brunt of last year's restructuring. Sales fell 7 per cent last year from $4bn to $3.7bn and a $478m restructuring charge drove it into a $154m loss.

Further restructuring cannot be ruled out. "We need to be number one or two in everything we do in chemicals and we need to be making money," said Mr Mahoney.

So far, the company has declined to explain how it will use the cash from the sale to Emerson Electric, except to say excess cash might be used for investment in existing businesses, acquisition or share repurchasing.

Wall Street is convinced, however, that Mr Mahoney will choose the share buy-back option to boost his company's return on equity.

Mr Jeff Cianci, a chemicals analyst at Bear Stearns in New York, says he is convinced the proceeds from the Fisher sale will be used to buy back shares. He does not, however, believe the sale of Fisher is the last asset disposal.

"I think the Fisher move is not the last piece in the puzzle. The future of this company is in the areas of agriculture, such as pest-resistant seeds and other biotechnology products, plus food, health care and chemicals. In chemicals I would expect more joint ventures and outright sales of some of the lower-return businesses."

Mr Mahoney has said: "The group's structure is mostly in place. We underwent two major restructurings during the 1980s. If we haven't got it right by now, then shame on us".

The Monsanto chief must now make his businesses perform. Otherwise he could be left with even fewer assets left to juggle.

Higher exports lift Trans-Natal

By Philip Gawith in Johannesburg

INCREASED exports higher rand prices and improved productivity helped Trans-Natal, the coal arm of Gencor, the South African industrial group, to lift attributable profits by 4 per cent for the year to June.

The improved export climate helped boost sales to R1.56bn ($563m) from R1.43bn a year earlier, while the cost of sales rose by only 7 per cent to R1.34bn from R1.25bn. Operating income was therefore 25 per cent higher at R226.2m compared with R180.4m. Attributable profits rose by only 4 per cent to R143.6m from R138.1m after the tax charge rose 125 per cent. The dividend is being lifted to 80 cents a share from 75 cents.

Mr Mike Salamon, managing director, cautioned that the downturn in the world economy and severely depressed spot prices, because of large amounts of low cost coal from Russia and Indonesia, meant that earnings would not be maintained in the current year.

Increased demand and market share in Spain, Germany and Japan lifted exports sales to 11.3m tonnes from 10.6m tonnes in 1991.

Sales to the inland market were 5.3 per cent lower, at 5.4m tonnes due to lower demand for metallurgical coal.

● Sun International Bophutatswana (Sunbop), the South African casino resort group, overcame a proliferation of unregulated gaming operations and difficult operating conditions to increase earnings by 13 per cent for the year to June.

Turnover rose 30 per cent to reach R1bn from R772.5m. Margins were lower so operating profits rose by 17 per cent to R269.2m from R229.5m.

Mr Sol Kerzner, chairman, said the opening of the rival Carousel resort in November hit revenues of his group's Marula Sun and Sun City.

Interest income also fell to R1m from R27m following the use of cash to develop Carousel and the R750m Lost City project at Sun City, a Disneyland-type scheme scheduled to open in December.

Attributable earnings rose 13 per cent to R216m from R191.8m, but earnings per share were only 8 per cent higher at 191 cents, against 177 cents, following a rights issue and two scrip dividends.

The dividend is being maintained at 132 cents a share.

Mr Kerzner predicted earnings for the current financial year would "at least approximate those of the past year."

USX plans to offer 7.5m new shares

By Karen Zagor in New York

USX, the US steel and energy group, has filed with the Securities and Exchange Commission (SEC) to offer 7.5m shares in a new class of USX common stock to be called USX-Delhi Group common stock.

The initial public offering price will be between $16 and $18 a share, according to the company's registration statement.

USX said in April it might sell shares in its Delhi Group, including the Delhi gas pipe line and other related companies, as part of its efforts to realise shareholder value. The Delhi Group recorded sales of over $423m in 1991, with operating income of about $31m and assets of $598m.

USX had also considered selling assets or creating a limited partnership.

USX said the proceeds from the offering would be used for general business purposes at its Marathon gas group of which the Delhi group had been part.

The effort to realise additional value for Marathon follows the company's stock split last year, when USX agreed to issue a new class of stock after coming under pressure from Mr Carl Icahn, the New York financier.

Keppel raises first-half profits by 6.8%

By Kieran Cooke in Kuala Lumpur

KEPPEL Corp, which runs Singapore's largest shiprepair yard plus banking, engineering and property activities, has announced pre-tax profits of S$131.2m (US$81.8m) for the six months to the end of June, a 6.8 per cent rise over the same period last year. Group turnover was down slightly to S$746.6m.

Keppel said performance had improved in shiprepairing, banking, financial services and engineering.

The group's property sector had also benefited from continued growth in the Singapore property market.

Analysts say Singapore's shiprepair yards are now among the world's most competitive, with charges up to 15 per cent lower than in South Korea. In recent months Keppel and other Singapore yards have increased shiprepair work on US navy vessels.

Keppel is one of a number of groups involved in discussions with the Philippine authorities about leasing Subic Bay base, the former US naval base north of Manila. Keppel wants to convert Subic Bay into a commercial shiprepair yard and will soon put a formal proposal to the Philippines. The US is due to complete its move out of Subic Bay by the end of the year.

Nippon Housing Loan restructuring stalls

By Emiko Terazono in Tokyo

THE restructuring of Nippon Housing Loan, Japan's largest home-loan company which faces mounting problem loans, has been stalled by squabbles among its main creditors.

Japanese commercial banks have yet to accept restructuring proposals presented by Nippon Housing Loan in June.

The country's non-bank financial institutions, burdened by increasing non-performing loans on property, are turning to the leading banks for help. However, the banks not only face similar problems but are reluctant to assist because they would incur substantial losses on measures such as cutting interest rates on loans.

The home-loan companies' problems have shocked creditors. Set up by reputable financial institutions under the direct guidance of the finance ministry, they were seen as non-risk companies. In June, Nippon Housing Loan asked nine commercial banks to cut the rate on loans to 3.25 per cent, equal to the official discount rate – to maintain outstanding loans at current levels – and to send personnel to aid the restructuring.

The company, listed on the first section of the Tokyo Stock Exchange, has about an estimated Y1,200bn ($9.45bn) in non-performing loans. Pre-tax profits for the year to March fell by 87 per cent, while unrealised losses on securities holdings at the year end were Y23.4bn. It is also under investigation for alleged tax evasion on income from stock trading.

Japan's eight housing-loan companies increased their exposure to high-risk property-related loans in the years of loose credit in the late-1980s.

Nippon Housing Loan was set up in 1971 by nine commercial banks. Sanwa Bank and Sakura Bank, the leading commercial banks, both hold a 4.9 per cent stake. The banks are at odds over which one has the principle responsibility for Nippon Housing Loan.

Commercial banks have extended about 23 per cent of its debt totalling some Y2,600bn at the end of March. Sakura had about Y226bn in loans outstanding and Sanwa Y199bn. While some commercial banks may accept Nippon Housing Loans requests, several are opposing unilateral decisions. The commercial banks claim the co-operation of other creditors is essential in the restructuring. Sakura Bank said: "The problems are so large, it is impossible for just the city banks to carry out the restructuring."

Norinchukin Bank and other agricultural co-operative related financial institutions have Y910bn in loans outstanding, the three long-term credit banks – Industrial Bank of Japan, Long Term Credit Bank, and Nippon Credit Bank – a total of Y280bn, and six trust banks, about Y210bn.

Financial institutions affiliated with agricultural co-operatives have been large lenders to home-loan companies. Although their loans account for 40 per cent of Nippon Housing Loan's total debt, they are refusing to co-operate with the restructuring plan, claiming that responsibility belongs to banks with direct shareholdings.

Nippon Housing Loan reckons it will take more than three years to rebuild itself, providing it receives aid from its creditors. "Once the real estate market recovers, things will start looking better," it said.

INTERNATIONAL CAPITAL MARKETS

Corporate borrowers tap into dollar sector

By Tracy Corrigan

TWO corporate borrowers yesterday took advantage of the latest decline in US bond yields to lock in cheaper fixed-rate funding in the dollar sector of the Eurobond market.

Allied Lyons, the UK food and drinks group, launched a $150m five-year deal via Credit Suisse First Boston, while Philip Morris, the US cigarette, food and beer manufacturer, brought a $200m seven-year offering via UBS Phillips & Drew.

Growing confidence that the dollar is likely to bounce soon has boosted European demand for Eurodollar bonds. As a result, costs for borrowers in the Eurobond market are becoming increasingly competitive with the US market.

Very little corporate paper has been issued in the Eurobond market recently, but the fall in rates is likely to encourage more companies to raise funds. In addition, dealers said there are signs that some institutional investors are relaxing restrictions on bonds rated less than double-A, partly in an effort to pick up extra yield as US interest rates fall to historic lows.

INTERNATIONAL BONDS

The Philip Morris deal, aggressively priced at 62 basis points above the comparable US Treasury yield, was targetted at Swiss retail investors, traditionally enthusiastic buyers of the name.

Dealers, however, said the issue appeared very expensive next to the Allied Lyons offering, which carries the same debt rating of A2 by Moody's and A by Standard & Poor's.

The Allied Lyons deal, priced at 95 basis points above the five-year US Treasury yield, was aimed at a broader investor base, including continental European fund managers and retail investors.

"Good single-A-rated UK companies sell well at spreads of 90-100 basis points over Treasuries," said one syndicate manager. The deal was bid at 99.77, slightly above its fixed reoffer level of 99.72.

Two more offerings of subordinated floating-rate notes (FRNs) by banks, with minimum and maximum coupon levels, were launched yesterday, although dealers said that demand is starting to ebb. Internationale Nederlanden Bank, formerly NMB Postbank, launched a $100m offering and Germany's DG Bank a $75m issue of 10-year subordinated floating-rate notes.

Also in the FRN market, the World Bank launched a $400m issue of 10-year notes, paying interest of 80 basis points below the three-month London interbank offered rate, via Goldman Sachs.

The deal was targetted solely at Italian investors, who do not pay withholding tax on World Bank paper. However, without the Italian angle, the World Bank would have had to pay about 20 basis points under Libor, dealers said.

Some underwriters said the paper was proving quite difficult to place, but lead manager Goldman Sachs said most of the deal had been sold by the end of the day.

In the Euroyen market, the Central Japan Railway Company launched a Y20bn 10-year deal via Nomura International, placed in the Far East.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank(b)‡†	400	(b)	100	2002	0.25	Goldman Sachs Intl
Philip Morris Cap.Corp(a)†	200	6⅝	101.10	1999	1⅞/1⅝	UBS Phillips & Drew
Allied Lyons Fin.BV(a)	150	6½	101.22	1997	1⅞/1½	CSFB
NMB Postbank Groep(c)‡†	100	(c)	100	2002	50/25bp	Merrill Lynch
DG Bank(d)‡†	75	(d)	100	2002	50/25bp	Goldman Sachs Intl.
YEN						
Cent.Japan Railway Co(a)†	20bn	5.90	101½	2002	2/1.80	Nomura Intl.

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Coupon pays 80bp below 3 month Libor. c) Coupon pays ⅛ below 6 month Libor. Coupon payable Semi-annually. Minimum interest rate of 5⅛%, maximum of 10%. d) Coupon pays a flat 3 month Libor rate. Minimum interest rate of 6⅛%, maximum of 10½%.

Australian sell-off after hopes of rate cut dashed

By Sara Webb in London and Patrick Harverson in New York

DEALERS reported heavy selling of Australian government bonds yesterday after Mr John Dawkins, the Australian treasurer, dashed hopes of a cut in interest rates.

The bond market had expected to see an easing in rates fairly soon, possibly timed to follow the Budget on August 18. However, Mr Dawkins said in a radio interview: "As far as we are concerned, there have been very considerable falls in interest rates already. And the consequences of those reductions are flowing through into the economy now."

He added that given the prevailing domestic and international circumstances he saw no need for "any further easings in monetary policy". The yield on the 10¼ per cent September 1995 bond rose from 6.60 per cent to 6.88 per cent and dealers reported heavy selling of bonds in Australia and overseas.

Traders warned that Mr Dawkins' comments were probably aimed at supporting the Australian dollar, which has weakened from US$0.74 last week to below US$0.72, its lowest level since February 1988.

■ GOOD news on inflation and a reasonably successful afternoon auction of 10-year securities failed to give US Treasury prices a lift yesterday.

GOVERNMENT BONDS

In late trading the benchmark 30-year government bond was down ⅛ at 107$\frac{31}{32}$, yielding 7.338 per cent. The two-year note was also lower, down $\frac{1}{32}$ at 100$\frac{5}{32}$ to yield 4.149 per cent. Trading activity was extremely quiet.

The day's main economic news was the release of the producer prices index for July, which was up 0.1 per cent on the month.

Although the auction subsequently went off well – the notes were awarded at an average yield of 6.49 per cent – the result was slightly below expectations, and prices retreated further during the afternoon.

■ RUMOURS that Moody's, the international rating agency, is about to downgrade Italy's credit rating, helped to push down Italian government bond prices yesterday.

The May 2002 bond fell from 93.86 to a low of 93.50 before closing at 93.58, and dealers reported determined selling by European investors.

Elsewhere in the European government bond markets, German government debt drifted lower as the Bundesbank's decision to drain liquidity from the money market yesterday sparked fears of a possible rise in German interest rates.

At its latest one-month securities repurchase allocation, the Bundesbank drained DM2.4bn of liquidity from the money market, a larger-than-expected withdrawal of funds. "The market is sensing a hike in the Lombard rate," said one dealer.

The fall in the other European markets also helped to depress bund prices, and the Liffe bund futures contract fell from 87.28 at the opening to end at 87.16.

■ STERLING's weakness in the foreign exchange markets helped to push UK government bonds lower, with prices falling across the yield curve.

The 11¾ per cent gilt due 2003/07 fell from 115 to 114$\frac{19}{32}$ to yield 9.5 per cent while the 10½ per cent gilt due 1997 declined from 103$\frac{5}{16}$ to 103¾.

■ JAPANESE government bond prices ended firmer as the weak state of the Tokyo stock market continued to kindle hopes of lower interest rates.

The Nikkei stock index ended down 48.77 points at 14,773.79 yesterday, still below the psychologically important 15,000 level. The benchmark No 129 JGB opened with a yield of 4.955 per cent and traded up to yield 4.915 per cent. In the futures market, volumes in the December contract surpassed that in the September contract, making it the new lead contract.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.5043	+0.108	8.30	8.25	8.91
BELGIUM		8.750	06/02	98.3000	-0.150	9.01	9.05	8.83
CANADA *		8.500	04/02	109.4800	-0.050	7.13	7.38	7.88
DENMARK		9.000	11/00	97.3000	-0.220	9.47	9.50	9.09
FRANCE	BTAN	8.500	03/97	96.5849	-0.245	9.42	9.42	9.13
	OAT	8.500	11/02	96.2100	-0.350	9.06	9.01	8.81
GERMANY		8.000	07/02	99.6700	-0.120	8.05	8.09	7.98
ITALY		12.000	05/02	93.5550	-0.375	13.62†	13.53	13.38
JAPAN	No 119	4.800	06/99	98.7514	+0.251	5.05	5.05	5.38
	No 129	6.400	03/00	108.1612	+0.267	4.93	4.93	5.17
NETHERLANDS		8.250	06/02	99.0050	-0.110	8.40	8.42	8.32
SPAIN		10.300	06/02	89.1000	-1.050	12.25	12.07	11.51
UK GILTS		10.000	11/96	101-14	-3/32	9.57	9.63	9.23
		9.750	08/02	102-16	-8/32	9.35	9.33	9.08
		9.000	10/08	99-00	-7/32	9.12	9.07	8.87
US TREASURY *		7.500	05/02	107-02	-11/32	6.51	6.63	6.98
		8.000	11/21	107-31	-5/32	7.33	7.42	7.67
ECU (French Govt)		8.500	03/02	94.0500	-0.280	9.46	9.53	9.01

London closing, *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Investors face a glut of global bond indices

Richard Waters examines a growth industry

THE international fixed income markets face a glut of global bond indices.

Widely used as tools to measure the performance of fund managers, indices have been standard products in the US fixed income markets since the early 1970s. It was not until 1986, though, that Salomon Brothers produced the first global bond index.

The number of indices is growing rapidly. The JP Morgan index, launched in 1990, has won a strong following, and other banks are now revamping or creating their own versions, among them Merrill Lynch, UBS (which published its own last week) and Lehman Brothers (which expects to go public early this autumn). Salomon also dusted down its own product last month.

The European bond commission has also been working to produce an index with Bloomberg, the electronic information company.

Indices have become an important part of the banks' fight to win business from fund managers – at considerable expense. Salomon, for instance, estimates it has 20 people working full-time on its global index.

"It seems surprising that people should want to spend money coming into a business which doesn't at first sight offer much return," says Mr John Gillies of Frank Russell, the US-based performance measurement company.

The returns can be considerable. If a fund manager is following a particular bank's index, it creates an instant relationship between the two. The investor needs regular information on the performance of the index, and is likely to want to talk over its composition.

This often goes one step further, as investors open their international bond portfolios to the bank concerned to discuss how they can change their holdings to better match particular aspects of the index. That way, the bank gets the chance to bring the full weight of its technical analysis to bear on the portfolio – and the chance to recommend and carry out particular trades.

Investment banks need bond indices for other reasons. They are used to price over-the-counter derivatives. Without its own, a bank would have to price derivatives based on a market against some other house's index, putting it at a disadvantage.

Another reason for the proliferation of indices is simply that they have become cheaper to produce. "Technology has made it easier to compute index returns," says Mr Richard Pagan of Salomon.

Not all indices are likely to be successful. The different make-up of the indices is one factor that will determine which gain the biggest following. WM, another performance measurement company, decided 18 months ago to recommend the JP Morgan index over the Salomon one, a preference which seems also to have been followed by Frank Russell. They were swayed by factors such as Morgan's decision to calculate its index daily, rather than monthly, and to use foreign exchange rates taken from the close of business in London, rather than New York.

The difference in foreign exchange rates, for instance, amounted to a variation of as much as 50-100 basis points a year in the returns shown by different indices, says WM.

Salomon has now changed its index to match these and other expressed preferences for the Morgan index. It has also extended the number of countries it covers – as has Morgan – to reflect the growing spread of markets covered by international bond fund managers.

Substantial variations remain, though. The prices used to calculate indices are particular to each house, and there are big differences in the policy on which bonds to include and exclude.

The proliferation of indices also looks set to extend to more specialised areas. JP Morgan yesterday announced a new Emerging Markets Bond Index, tracking the performance of bonds issued as a result of debt restructuring agreements by lesser developed countries. A similar index was launched by Salomon two years ago, but the likelihood of Argentina and Brazil reaching agreement with their foreign bank creditors in the coming months will double the amount of bonds in issue and could attract new investors to the high-yield markets.

Japanese bank shares buck trend

By Emiko Terazono in Tokyo

JAPANESE bank shares rallied on the Tokyo stock market yesterday, on hopes that a change in accounting rules would allow the banks to hide their evaluation losses on stock holdings.

Although a 48.77 point fall depressed the Nikkei stock average of 225 leading stocks to a new six-year low of 14,773.79, the banking index was one of the few gainers, rising 7.74 points to 2,913.56.

For the fiscal year to last March, Japan's 11 commercial banks saw operating profits rise 31.5 per cent to a total Y1,920bn ($15bn), thanks to bigger profit margins on loans. But pre-tax profits fell 14 per cent due to increases in loan loss write-offs and evaluation losses on stock investments.

A ministry of finance official denied reports suggesting banks would be allowed to switch accounting principles where stocks can be carried at cost, but analysts pointed out that such measures were highly likely.

See Lex

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 12

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	64	10
Other Fixed Interest	0	5	10
Commercial, Industrial	195	353	889
Financial & Property	93	152	554
Oil & Gas	13	17	56
Plantations	2	2	5
Mines	6	46	97
Others	48	34	50
Totals	358	673	1,671

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Aug. 3
- Last Dealings Aug. 14
- Last Declarations Oct. 29
- For settlement Nov. 9

3-month call rate indications are also shown on this page. Calls in Burton, Greycoat, Midland & Scot. Res. and Paloa. Put in Thorn EMI.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	5½	■ OILS	
Allied-Lyons	48	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	8	Courtaulds	45	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	8½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¼
Barclays	29	GKN	33	Midland Bank	20	Unilever	70	Shell	35
Blue Circle	24	Genl Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	62	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	28		
Cadburys	36	ICI	96	Reed Intl	47	Mountleigh	1½		

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COMPANY NEWS: UK

Ford injects £135m into Jaguar

By Kevin Done,
Motor Industry Correspondent

FORD MOTOR of the US has injected £135m in new equity capital into Jaguar as part of a financial restructuring of its troubled UK luxury car subsidiary.

The recapitalisation, disclosed in Jaguar's annual report, has been forced by the size of the losses suffered by Jaguar in the last three years.

In addition to injecting fresh equity Ford has also made substantial loans to Jaguar including £125.8m of long-term debt.

Some of the loan facility was made as part of the process of Ford replacing commercial banks as Jaguar's banker as well as to provide additional working capital.

The report shows, however, that loans from Ford have provided a net increase in funds of £88.5m in addition to the £135m of new equity.

Ford paid £1.56bn for Jaguar in late 1989 and the capital restructuring has added significantly to that cost.

Jaguar's pre-tax losses have accelerated since the takeover and totalled £226.1m in 1991 compared with a loss of £66.2m in 1990 and £58.3m in 1989.

Ford disclosed recently that Jaguar suffered a continuing loss of about $70m (£36.6m) in the second quarter of 1992, virtually unchanged from a year ago. Its first quarter loss was reduced from $130m to $90m.

Jaguar maintained virtually unchanged research and development expenditure last year of £54.4m (£54.9m), but the financial squeeze caused its capital spending to be cut sharply from £70m in 1990 to only £44.2m.

The annual report discloses for the first time the financial impact of last year's heavy redundancy programme with an exceptional charge of £42.5m. The workforce was cut from 12,100 in 1990 to 8,015 at the end of last year and is now just under 8,000.

Sales in the US and the UK, its two most important markets, plunged last year, causing production to be reduced to only 23,018 vehicles – the lowest level since 1982 – from 41,883 in 1990. Wholesale deliveries to dealers fell by 41 per cent to 24,597.

In the first half Jaguar sales worldwide fell further, from 12,900 to 11,900. Production declined by 26 per cent to 10,259.

There was some recovery in the US in the six months with sales rising by 10.8 per cent to 4,809 from last year's depressed level of 4,342 – although US sales in July fell sharply. Demand in the UK remained weak with a 15.2 per cent fall to 2,679.

While sales and output have continued to fall, Jaguar has achieved a significant improvement in quality. In the recently published JD Power report in the US, one of the most authoritative studies of customer satisfaction in the world car industry, the company jumped to 10th place compared with 25th a year earlier.

Ghost buster dispels shadows of the past

Peggy Hollinger on Bunzl and the man brought in to restore the group's flagging fortunes

THE GHOSTS still walk at Bunzl, but less often, says Mr Tony Habgood, the chief executive brought in to exorcise the paper and packaging company's chequered past.

"They don't parade around every night any more, perhaps just once a year," he says.

Dispelling the shadows of the past has been the first and most difficult task since Mr Habgood, a former management consultant and briefly chief executive of textile group Tootal, arrived a year ago.

"The degree of internal mistrust was very high. Many were hostile to the centre," he says, with some business managers maintaining only minimal communication with the Slough-based headquarters.

The hostility felt by managers of the more successful parts of the group was the result of a frantic £600m acquisition spree spanning some 10 years. At one stage, between 1985 and 1989, Bunzl made an acquisition on average every two weeks.

Many of the new companies proved less than successful and even included "some outright disasters", says Mr Habgood. For example, Bunzl built Italy's fifth-largest fine paper merchanting business by buying 15 family-run companies in rapid succession.

"In retrospect, Bunzl did not appear to have done adequate due diligence on some of the companies," says Mr Habgood. Italian losses soon began to bleed the parent dry. After a year of closures and rationalisation, the Italian business is now breaking even.

Meanwhile, the City grew increasingly disillusioned with Bunzl's record of declining profits. Between 1988 and 1991, pre-tax profits plunged from £93.3m to £32m.

The share price followed a similar pattern, declining from a peak 186p to 82p in the same period.

Some of the mistrust within the company has been eliminated by the disposal programme, which was initiated by Bunzl's former management. About 20 different operations have been sold or closed down in the past year, leaving five divisions: the main plastic and paper disposables business, which accounts for 50 per cent of profits, cigarette filters, fine paper, building materials and plastic product manufacturing.

Trevor Humphries

Tony Habgood: degree of mistrust within the company

However, exorcising mistrust is a more difficult task in the City, where many analysts still nurse scepticism.

Mr Tim Rothwell, of BZW, gives Mr Habgood credit for his management changes and "clean slate approach". Gross provisions of £27m were taken last year to cover the costs of restructuring. Yet Mr Rothwell raises questions about the fundamental value of the businesses which Bunzl retains.

"The problem with Bunzl is that it has a lot of cash cows, some dogs, and one or two problem children. I do not see that it has any stars," he says.

Mr Rothwell questions whether Bunzl's main paper and plastics distribution business would qualify for a star rating these days. Distribution grew rapidly in the 1980s through the efficiencies achieved by combining a series of small companies. Yet Mr Rothwell claims the market is now mature.

Furthermore, he says, Bunzl faces increasing challenges from bigger distribution players such as Kraft and the rapid growth of warehouse discount clubs in the US.

Warehouse clubs, which according to recent statistics will grow in the US at the rate of 25 per cent per annum for the next five years, are increasingly "taking business away from catering and paper products distributors," says Mr Rothwell. "This business is going nowhere easily."

Others in the City are more inclined to give Mr Habgood the benefit of the doubt.

According to many in the pro-Bunzl lobby, the 1980s acquisition frenzy meant financial and operational controls in many businesses were neglected.

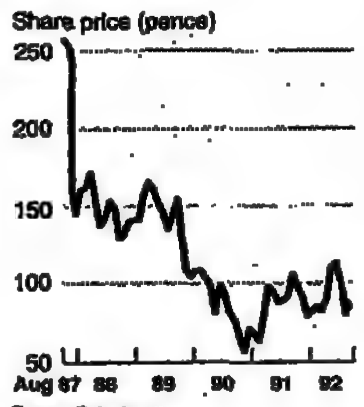
Now, they say, there are opportunities for these businesses to rebuild margins even without economic recovery.

For example, it is estimated that restructuring of the US building materials business will result in a 66 per cent rise in trading profits to £3m this year, barring sharp dollar movements.

Plastics, likewise, should regain some of last year's 28 per cent profits decline following the closure of three factories, two warehouses and a 10 per cent reduction in the workforce. Filters, although linked to a mature cigarette market, will benefit from Bunzl's forté in speciality products, ie charcoal filters.

Bunzl

Share price (pence)



Source: Datastream

Ms Francesca Raleigh, of Credit Lyonnais Laing, predicts that the past year of cost-cutting, disposals and closures could easily leave Bunzl with pre-tax profits of £46m for the 12 months to December 31, compared with £32m last time. Forecast earnings of 6.6p give a prospective p/e of 13.3 times on last night's closing price of 87p.

Since the shares have begun to rally from a six-month low in recent days, there could be more to come in advance of the interims in September, say analysts.

Meanwhile, Mr Jonathan Helliwell, of James Capel, says Mr Habgood has successfully taken the company through the crucial first stage of recovery. "They have done the fire-fighting," he says, " . . . but it is not enough."

Investors are now calling for an indication on the strategy for Bunzl's future: which businesses are likely to continue under the "core operations" banner and which will provide the real growth? Until those questions are answered, he suggests, longer-term investors are unlikely to find much excitement in Bunzl's shares.

Mr Habgood, for his part, says he is just beginning to lift his eyes from the road three feet in front of him. The strategic question will have to wait until individual businesses, such as builders' merchanting, are performing to expectations.

That is unlikely to happen if "the company spends its entire time speculating on which part is going to be up for sale next," Mr Habgood says.

Meanwhile, Bunzl will shore up its existing operations with small opportunistic purchases, such as the two announced earlier this year in paper distribution.

But, being by nature a quiet man, Mr Habgood intends to keep the noise down. He has no intention of waking ghosts which he has worked hard to put to rest.

NEWS DIGEST

CMW tries to bolster share price

CMW GROUP, the USM-traded architect and interior designer, yesterday tried to bolster its share price and said it continued to cut costs and was seeking a renegotiation of its head office lease.

The shares, which collapsed from 80p earlier this year following pre-tax losses and the departure of two senior directors, were unchanged at 8p.

CMW rents its London head office from the BWJD pension scheme, which was set up as a private pension fund for five people, three of which are directors of CMW. The lease on the office is BWJD's sole asset.

The company is now "in discussions" about reducing the rent of £305,000 a year, or £37 per sq ft.

Mr Peter Denner, chairman and a beneficiary of the pension scheme, said the trustees had agreed in principle to a "significant" rent reduction, the write off of part of the balance due and the conversion of some debt into equity.

Sheafbank Property back in the black

Sheafbank Property Trust, the property investment and financial services group, turned round from pre-tax losses of £831,090 to profits of £19,261 in the half year to September 30.

The result was achieved despite a fall in net income from £344,616 to £284,003.

Losses per share were cut to 0.04p (5.34p) and the interim dividend is maintained at 0.1p.

Although yesterday's results were delayed, they follow just 4½ months after the figures for the year to March 1991. Both delays were caused by board changes and the inclusion of audited information on substantial investments.

Mr Frank Ridehalgh, company secretary, said Sheafbank was now "catching up with itself". It has changed its accounting period and he hoped results for the 15 months to June 30 would be published by October. The Stock Exchange had been kept informed, he said.

R'sons Westgarth ahead 18% at £1m

In spite of an "extremely difficult trading environment" Richardsons Westgarth, the steel stockholder, improved sales, profits and earnings per share over the six months to June 30.

At the pre-tax level profits rose by 18 per cent to £1.03m, sales by 23 per cent to £26.4m and earnings per share by 15 per cent to 2.84p.

The interim dividend is stepped up from 1.2p to 1.25p.

Moorfield Estates deficit deepens

Moorfield Estates, which recently underwent a restructure via the appointment of a new board, an acquisition and the disposal of certain group assets, returned a loss of £774,000 pre-tax for the half year ended April 30.

The deficit compares with a restated loss of £578,000 for the opening half last time.

Losses per share worked through at 9.01p (6.7p).

Ward Holdings loss nears £2m

Ward Holdings, the housebuilding, commercial development and plant hire group, sank deeper into the red at the six months' stage and is omitting its interim dividend.

At the pre-tax level losses for the half year to April 30 jumped from £397,000 to £1.8m. The shares fell 5p to 20p.

Turnover totalled £11.6m (£14.3m), of which house sales accounted for £9.18m (£10m), plant hire for £630,000 (£797,000) and gross rental income and property sales for £1.08m (£2.99m).

A tax credit of £583,000 (£135,000) left attributable losses at £1.21m (£262,000), equal to losses per share of 2.3p (0.5p). Shareholders received an interim dividend of 0.5p, but no final, last time.

Brandon Hire in red and passes final

Brandon Hire, the USM-quoted tool, catering and furniture hire group, blamed the recession as it lapsed into the red in the 12 months to April 30 and passed its final dividend.

Despite sizeable cost reductions, the pre-tax deficit amounted to £291,000 compared with profits of £54,000 in the previous year. Turnover fell some 18 per cent to £3.98m.

Interest charges declined to £230,000 (£259,000). Gearing was reduced from 45 per cent to 35 per cent.

Losses per share emerged at 1.72p (earnings of 0.87p). The interim dividend of 0.1p stands for the year against the previous single distribution of 3.33p.

GPA at $49.1m in first three months

GPA Group, the aircraft leasing company which recently aborted its global stock market flotation, reported first quarter profits of $49.1m (£25.7m) after tax, compared with $61.3m in the same period of last year.

The outcome excluded the cost of aborting the flotation, estimated to be about $30m, which would be charged in the accounts for the year.

Queens Moat advances to £38m

By Michael Skapinker, Leisure Industries Correspondent

QUEENS MOAT Houses' continental European hotels helped the company lift half-year pre-tax profits by 5.4 per cent to £38.1m despite continuing gloom in the UK.

Mr John Bairstow, chairman, said the company would continue its programme of "vigorous expansion" on the Continent, avoiding large-scale capital investment by seeking leases, management contracts and franchising agreements.

Mr Bairstow said the UK had become less important to the group's overall performance. "With more than half our room capacity, a large proportion of profit and the emphasis on expansion being outside of Britain, it follows that the UK will progressively become one of our major areas of operation, rather than the mainstay of the business."

The company has 86 hotels on the Continent, compared with 103 in the UK. However, because the continental hotels tend to be larger, of its total of 22,291 rooms 11,667 are on the Continent against 10,624 in the UK.

Trevor Humphries

John Bairstow: no improvement foreseen in the UK

Operating profits in the UK were £38.7m for the period ended July 12. This was an increase of 6.6 per cent over last year, when hotel occupancies were badly affected by the Gulf war. By contrast, operating profits in Germany increased 37 per cent to £23.1m and in the Benelux countries by 22 per cent to £12.9m. Profits in France were up 26 per cent to £2.9m.

Mr Bairstow said he saw little sign that business confidence had been dented in any of the continental European countries in which Queens Moat operated.

UK hotel bookings increased in the three to five weeks following the Conservative victory in April's general election, but this improvement was not sustained. He said there was little prospect that UK hotel performance would improve in the second half.

Profit before rent and interest increased by 16 per cent to £81m. Rent charges more than doubled, however, to £9.6m, restricting growth at the pre-tax level. Mr Bairstow said increased rent was the result of the company's policy of seeking leases and management contracts rather than outright purchases. He said that as the company expanded, rent payments would increase further. Interest payments rose to £33.2m compared with £28.8m last time.

Turnover was £291.9m, compared with £213.4m. Fully-diluted earnings per share were 2.92p (3.29p). The interim dividend is 1.395p (1.342p).

See Lex

Turkish group offers cash for PPI hotel

By John Murray Brown in Istanbul

A PRIVATELY-owned Turkish construction group has approached the administrators of Polly Peck International to buy the Sheraton Voyager hotel in the Mediterranean resort of Antalya.

Doğuş Holding, a large Turkish construction group with interests in banking and leisure, confirmed yesterday that it had made an all-cash bid for the 409-room hotel. The company declined to disclose the price. The hotel is believed to have cost about £65m to build.

The Antalya Sheraton Voyager is one of Turkey's largest hotels and was opened more than a year behind schedule in September 1990, just weeks before Polly Peck was forced into administration. Occupancy rates have been good throughout this year.

The book value of PPI's leisure operations is £235m, including four smaller hotels in north Cyprus.

The Doğuş bid follows this week's sale of PPI Del Monte, PPI's fresh fruit operation, to a consortium of Mexican investors for $499m (£261m).

Doğuş said it was waiting for the administrators' valuation of the company and that its bid would be for the shares of the hotel company and not the hotel itself. However, Doğuş is also talking with Sheraton International about taking over its 15-year management contract and running the hotel directly. Doğuş already owns and manages the largest hotel in the neighbouring resort of Alanya.

Polly Peck also owns a number of fruit trading and packaging companies in Cyprus, but legal disputes have so far blocked the administrators' efforts to gain control of these.

US and Europe provide some relief as Heywood falls 37%

By Peter Pearse

HEYWOOD Williams Group, the glass distributor, yesterday reported pre-tax profits down 37 per cent at £5.1m for the six months to June 30.

The fall from £8.1m was forecast on June 29 prompting a share price fall of 41p to 288p. A month before that the shares had peaked at 388p. Yesterday they eased 1p to 177p.

Glass saw operating profits halved to £3.17m (£6.1m), while aluminium and plastics fell by almost £1m to £730,000.

Mr Ralph Hinchliffe, chairman, said the companies supplying the construction industry – 25 per cent of Heywood's UK business – had suffered the most and were likely to take the longest to recover. About 60 per cent of the UK business was in replacement doors and windows, which he said was "likely to recover more quickly".

The automotive side was more recession-proof, Mr Hinchliffe said, as it operated mainly in the replacement window and windscreen market.

However, profits in Europe and the US provided some relief. On the Continent they advanced from £672,000 to £1.07m, led by acquisitions, and across the Atlantic organic growth saw them treble to £1.24m (£421,000).

In February Heywood bought Door Panels, which makes exterior and conservatory doors, for £7.8m and in July it spent a combined £4m on BMV and a controlling stake in Pels & Joosten, French and Dutch glass companies respectively.

Group turnover grew to £190.4m (£160.5m) and the interim dividend is held at 4.5p, uncovered by earnings of 3.4p (7.7p) per share.

● COMMENT

Though its glass processing side has in the last two years afforded some protection by boosting its buying power, Heywood is now reeling from both a decline in demand and weak prices. But the balance sheet remains strong and gross margins have not fallen too much. A small movement in volumes would result in a jump in profits. But with no such movement and with the variable overhead pared to the bone, the company is looking at some £8m-£10m reduction in the fixed overhead to remain in the black. Assuming the housing market receives no external help, full-year profits are expected to be about £11.5m (£19.2m), allowing for £2m of redundancy costs in the second half. This gives earnings of 8.6p and a prospective p/e of 21, which looks high even taking cyclicality into account. However, sound management and the scope for profit improvement through cuts make it worth holding.

Boots takes heart from licence agreement

By Paul Abrahams

MANOPLAX, Boots' congestive heart failure treatment that received its first licence yesterday, probably represents the British group's last chance of a meaningful presence in the lucrative pharmaceuticals industry.

While Boots' turnover is dominated by retailing, the pharmaceuticals division generated an operating profit of £120m last year, 32 per cent of the group total.

The success of Manoplax is vital to the division because most of its existing products are off-patent and therefore vulnerable to cheap generic competition. Meanwhile, its pipeline of new medicines – other than Manoplax – appears unpromising.

Boots' pharmaceuticals business is a minnow compared with the industry's giants. It risks not having the critical mass to develop and successfully market new medicines on a regular basis.

"We are betting heavily on Manoplax. It is a very important drug capable of reshaping the whole business," said Mr Terry Richardson, international and marketing managing director. The drug could eventually generate sales of between £100m and £300m a year.

Yesterday's licence is a relief for Boots after repeated delays led to analysts describing the drug as "Mañanaplax". However, some are less confident than Boots about Manoplax's potential sales and ability to transform its drugs business.

Doubts exist about European demand for the product. Worldwide sales of Ace-inhibitors, the main class of competitor to Manoplax, are about $500m (£262m) a year.

But although Merck, the US drug giant, has thrown vast resources at marketing Vasotec, its best-selling Ace-inhibitor, in Europe, only 5 per cent of European patients are prescribed such medicines.

"If Merck with all its marketing muscle finds it difficult to overcome European doctors' conservatism, what hope has Boots?" asked one analyst.

To overcome its marketing weakness in Europe, Boots has signed co-marketing agreements for Germany with Astra, the Swedish group, and plans to sign a similar agreement with an Italian group. It aims to market the drug directly to hospital specialists in France, the UK and Spain and plans to invest £20m in additional marketing infrastructure this year.

Manoplax's ultimate success will be decided in the US, the world's largest single market. About 25 per cent of the 3m congestive heart disease patients are prescribed Ace-inhibitors there.

However, analysts fear Manoplax will only be used in the US as a second-choice treatment when Ace-inhibitors fail. Last October the FDA's cardiovascular and renal drugs advisory committee recommended the drug for approval, but only in patients who still had symptoms after using Ace-inhibitors or were intolerant to alternative therapies.

Mr Richardson hoped that data from recent clinical trials would enable wider approval to be gained, possibly making it a first-line treatment.

Analysts believe that a successful launch for Manoplax could offer an ideal opportunity for Boots to withdraw from prescription pharmaceuticals. It could sell at a moment of maximum potential, while avoiding the full brunt of marketing costs.

The group could then concentrate on its strengths in retailing and over-the-counter medicines.

Vimto sparkles with 12% rise but Bensons dives into the red

By Peggy Hollinger

BRITONS consumed a record 9.6m litres of Vimto, the favourite elixir of Northern non-drinkers, helping JN Nichols, its manufacturer, report a 12 per cent rise to £3.53m in pre-tax profits for the six months to June 30.

The fruit and herb drink, invented in 1909 as a healthy alternative to the evils of alcohol, was the main impetus to a 4 per cent increase in sales to £23.6m.

Mr Simon Nichols, finance director and ardent Vimto fan, said warm weather and better exposure in outlets throughout Britain had boosted profits in the UK.

He gave no credit for Vimto's growing popularity to the fad for healthy drinks. "It has not got enough of anything that is brilliant for you," he said.

In Saudi Arabia, where Vimto and a date is the traditional way to break the Ramadan fast, sales were slightly lower. Overall, export sales fell by £1m to £1.75m. Earnings per share rose from 13.2p to 14.8p. The interim dividend is raised from 4.6p to 5.1p.

In contrast, Bensons Crisps suffered adversely from a surge in demand for multi-pack products.

The USM-quoted snack food group fell into the red with losses of £191,000 pre-tax for the half-year to May 30, against profits of £312,000 last time.

Mr Malcolm Jones, chairman, said trading conditions throughout the period had been as "difficult as any I have ever experienced in my 14 years in the snacks industry". He said consumers were increasingly buying multi-packs of crisps from supermarkets, rather than independent retailers.

About 60 per cent of Bensons' manufacturing output is sold to independents.

First-half turnover improved to £15.6m (£11.5m) Interest charges rose by £110,000 to £143,000. Losses per share emerged at 1.7p (earnings 2.8p) but the interim dividend is maintained at 0.7p.

Guinness to buy Spanish minority

By Philip Rawstorne

Guinness has offered about £8m to acquire the outstanding shares in Union Cervecera, the Spanish brewer which it took over last year.

The drinks group, which already holds more than 90 per cent of Union Cervecera, has offered Pta250 (138p) a share – the same as last year's bid price. It has applied to the Madrid stock exchange for the shares' delisting.

Union's operations have now been integrated with those of Cruzcampo, which Guinness also bought last year.

LUI offshoot wound up as financial support ends

By Andrew Jack

HS WEAVERS (Underwriting) Agencies, the insurance agency which is part of London United Investments in administration, was yesterday wound up on the instructions of Mr Roger Borley, the remaining director.

Mr Ray Hocking, a partner with Stoy Hayward, has been appointed to manage a creditors' voluntary liquidation on behalf of the company.

The decision was taken after Walbrook, another subsidiary of LUI, entered provisional liquidation earlier this month.

Walbrook was a significant creditor of Weavers, and provided it with limited financial support. Its winding up made it impossible for Weavers to continue operating.

Mr Hocking said he expected to present a full report on the history of the company and its financial position to a meeting of creditors on August 24.

He said it was inevitable that litigation would ensue between Weavers and Walbrook, other LUI subsidiaries and third parties, including other creditors.

Buyer found for two Rank hotels

By Michael Skapinker

Rank Organisation has found a buyer for two of the 22 hotels it put up for sale last April.

The two, both in Scotland, are among the cheapest of the hotels being offered for sale.

Morton Properties of Dundee is to buy the Golf View Hotel in Nairn and the Royal Golf Hotel in Dornoch. The selling price of the hotels was not disclosed.

Last May, however, Rank asked for offers in excess of £950,000 for the Nairn hotel and £700,000 for the Dornoch property.

Further price cut for Wellcome

By Maggie Urry

Shares in Wellcome, the drugs group, fell 4p to 778p yesterday as Robert Fleming, the merchant bank which handled the recent £2.16bn sale of shares by the Wellcome Trust, again cut its bid price.

The bid was cut by 3p to 777p, after a 20p cut on Tuesday from 800p, the price at which the Trust sold its shares.

Fleming's move is part of its programme of stabilising the share price following the sale, using the so-called green-shoe option. This allows Fleming to buy 40.5m shares which were over-allotted in the sale to mop up loose shares. So far Fleming is thought to have bought about 23m shares.

£8.5m land sale for Graseby

By Richard Gourlay

Graseby, formerly Cambridge Electronics, yesterday announced a sale of development land that will substantially reduce gearing for the environmental monitoring and medical products group.

The company expects to use the £8.5m proceeds from the sale to J Sainsbury and Schlumberger Industries to reduce group borrowings.

The proceeds should help almost halve net debt which is likely to have risen to nearly £20m at the end of June.

The land being sold is at the Great Cambridge Road, Enfield, where Enfield Borough recently granted planning permission for retail and industrial development.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bensons Crisps §	int	0.7	Oct 2	0.7	-	2.85
Brandon Hire §	fin	nil	-	3.33	0.1	3.33
Commercial Union	int	9.25†	Nov 17	9.25	-	23.65
Heywood Williams	int	4.5†	Oct 1	4.5	-	12.5
Kleinwort O/seas	int	1.5	Oct 9	1.5	-	3.2
Nichols (Vimto)	int	5.1	Oct 26	4.6	-	12.3
North Midland	int	0.3	Sept 18	0.3	-	1
Queens Moat	int	1.395†	Oct 23	1.342	-	2.882
Richardsons West	int	1.25†	Oct 9	1.2	-	2.9
Sheafbank Prop	int	0.1	Oct 2	0.1	-	0.2
Ward Holdings	int	nil	-	0.5	-	0.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

BOARD MEETINGS

TODAY

Interims- Associated Fisheries, Ayrshire Metal Products, Slagden Inds, Foreign & Colonial Inv Trust, Glynwed Intl, Johnson Group Cleaners, Royal Insurance, Tullow Oil, WPP.

FUTURE DATES

Interims-

BPP	Aug. 19
Brent Chemicals	Sep. 21
Burlington	Aug. 16
EFT	Aug. 24
Eadie	Sep. 17
Fidelity European Values	Aug. 14
Mayflower	Aug. 27
Senior Engineering	Sep. 21
Sherwood Computer	Sep. 9
Sheroo	Aug. 20
Willis Corroon	Aug. 20
Finals-	
Adwest	Oct. 2
New Zealand Inv Trust	Aug. 21

PUBLIC WORKS LOAN BOARD RATES

Effective August 12.

Quota loans*

Years	††	†	At maturity§
1			10⅜
Over 1 up to 2	10¼	10¼	10⅜
Over 2 up to 3	10¼	10¼	10⅛
Over 3 up to 4	10¼	10¼	10⅛
Over 4 up to 5	10⅛	10⅛	10⅛
Over 5 up to 6	10⅛	10⅛	10⅛
Over 6 up to 7	10⅛	10⅛	10⅛
Over 7 up to 8	10⅛	10⅛	10¼
Over 8 up to 9	10	10⅛	10¼
Over 9 up to 10	10⅛	10¼	10¼
Over 10 up to 15	10¼	10⅜	10⅜
Over 15 up to 25	10⅜	10⅜	10¼
Over 25	10¼	10⅛	10⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

PEOPLE

Nelson moves to avoid conflict of interest

Elizabeth Nelson, one of the leading lights of the market research industry, has stepped down as chairman of Taylor Nelson AGB, Britain's biggest market research company which she helped to found.

The 60-year-old Nelson indicated some time ago that she intended to retire following her company's £15m acquisition of AGB, part of the late Robert Maxwell's private business empire. In March she was appointed chairman of the UK Ecolabelling Board, part of an EC initiative to identify products which are less harmful to the environment than others.

It had been thought that she would wait until a permanent successor could be found at Taylor Nelson, which more than doubled in size with the AGB acquisition. However, it seems she was concerned about possible conflicts of interest and was keen to sever her ties completely so that she could "pursue more freely" her new role. The Ecolabelling board is likely to need a considerable amount of market research data.

John Treasure, 67, will take over the non-executive chairmanship of Taylor Nelson for the time being, pending a long-term external appointment. Treasure has been on the board for three years and is a well known figure in the communications and market research industry; he is a former Dean of the City University Business School.

Nelson says she is "sure the ecolabelling scheme will be a great success". The UK has led the way in Europe in proposing criteria for the first award of Ecolabels – for washing machines and dishwashers. Further studies for criteria for light-bulbs and hairsprays are nearing completion and the first European ecolabels could start appearing in the shops by the end of the year.

At the end of July the government named Nelson's 14-strong board, which includes a director of Tesco, a professor of environmental technology and a vice-chairman of the Consumers Association.

■ **Philip Clein and Charles *Humphry have been appointed* the directors of Sector Management, a new lease and asset finance broker specialising in the local authority market. Clein and Humphry, old Mercantile House hands before it was bought by the ill-fated British & Commonwealth in 1987, then led a management buy-out in the same year of a vehicle called Saturn *Leasing. This was bought by* Baltic shortly afterwards, where Clein and Humphrey stayed until the end of 1990 and May 1991 respectively. While the market has been tricky for principals such as Baltic, Humphry says it is a good time for a broker, with low overheads, "to poke its head above the parapet. For one thing, people almost give you office space".**

Non-executive directors

■ Andrew Teare, group chief executive of English China Clays, at PRUDENTIAL CORPORATION. *(see Observer)*

■ Vivian Thomas, recently retired chief executive of BP Oil UK and chairman of the British Road Federation, at GOWRINGS.

■ John Thynne, director general of the Electronic Components Industry Federation, and a former under-secretary and head of *the information technology* division of the DTI, at NEWBRIDGE NETWORKS.

■ Richard Towner, recently retired corporate finance partner of Richards Butler, at the KYNOCH Group.

■ Robert Paine at QUILIGOTTI.

■ Samuel Whitbread has retired from SUN ALLIANCE.

Touch of the Maestro

Alex "Pete" Hart, the President of MasterCard International, has been elected vice-chairman of Maestro International, the company set up as an international debit and point of sale system with its own branding.

It is an open secret that Hart has been the driving force behind the moves to set up Maestro, which MasterCard, long the underdog in the credit card market, believes steals a march on Visa's efforts so far in the debit card market.

The new company's chairman will be Bernard Van Eldjik, the chairman of Eurocard and eurocheque International, the two powerful European affiliates of MasterCard which recently combined to set up Europay, the new pan-European debit card scheme.

The other directors of Maestro International are Stan Paur, chairman of Maestro USA, and chief executive officer of PULSE EFT Association, the US cash machine network; Hans Jürgen Sengera, main board director of West Deutsche Landesbank; John O Smith, executive vice-president of MasterCard International; Ron Williams, director of Business Operations at National Westminster and chief executive-designate of Europay.

Licences for Maestro have already been granted to leading banks in the CIS, Czechoslovakia, Germany, Hungary, the Netherlands, and the UK, which together co-ordinate about 60m debit cards.

FT LAW REPORTS

Digest of Trinity term

Arab Monetary Fund v Hashim and others
(FT, July 23)

The Arab Monetary Fund (AMF) alleged that a former director general, Dr Hashim, had defrauded it of more than $50m and that he had been assisted by his wife and son. In the present proceedings, Mr Justice Hoffmann refused an application by the AMF for an interlocutory injunction to restrain the defendants, Dr Hashim, and his wife and son Jafar, from prosecuting an action in California against Mr Salah al Hafidh, a former employee and accountant of the AMF who had found alleged irregularities involving *Dr Hashim. The judge stated* that it was well established in the UK, as in the US, that an injunction to restrain proceedings in a foreign jurisdiction (an "anti-suit" injunction) should be granted only in very narrowly restricted circumstances. The question was whether the injunction was necessary to enable Justice to be done here or to safeguard the general jurisdiction of the court. In the instant case, there had been no determination of the merits in the UK or the US and the court was not satisfied that the case fell within the exceptional class of cases in which an anti-suit injunction was needed to protect the juris*diction of the English court.*

The Prinsengracht
(FT, July 24)

A writ in rem was addressed to the owners and/or demise charterers of Prinsengracht by the plaintiff cargo-owners but was not served because the vessel did not come within the jurisdiction. When it was anticipated that it would enter an English port, the solicitors for the cargo-owners wrote to the shipowners' solicitors requesting security for their claim so as to avoid detaining the vessel. A bail bond was provided by an Owners' Mutual Insurance Association, which submitted to the jurisdiction of the court. Without waiting for the writ to be served on the ship, the shipowners acknowledged issue so that they had taken the voluntary step of becoming party to the action which, from that moment became in personam as well as in rem. Their voluntary act in acknowledging issue of the writ at a time when no action by them was called for, was the clearest submission to the jurisdiction Mr Justice Sheen stated dismissing an application to set aside the arrest of the ship. Further, the rule that bail represented the ship and that she should be free from arrest on the same claim, was viewed in the light of whether it was oppressive and vexatious to effect the arrest. In the present case there had only been one arrest, which lasted less than a day and, in looking after the cargo-owners' interests, it was natural for their solicitors to make sure they did everything necessary to preserve jurisdiction.

Regina v Lloyd's and others, ex parte Briggs and others
(FT, July 25)

In earlier proceeding by representatives of 800 Lloyd's Names against members' agents, the judge had refused applications for interlocutory injunctions to restrain the agents from drawing down on the applicants' deposits on the ground that there was no legal basis for restraint. Thereafter six Lloyd's Names obtained ex parte leave to apply for judicial review from another judge against Lloyd's, its committee, chairman, deputy chairman and a company called GW Run-*Off Ltd. Granting application* to set aside that leave, the Divisional Court stated that inter alia there had been duplication of identity of three plaintiffs in the earlier action and three Names in the present proceedings, as well as an overlap of the issues. Moreover, even though Lloyd's did perform public functions, the relation ship between the Names and their agents were governed by contract. Lloyd's powers were derived from a private Act which did not extend to any persons in the insurance business other than those who wished to operate in the section of the market and who committed themselves by contract.

Neither the evidence nor the submissions suggested that there was such a public element about the relationship between Lloyd's and the Names as to place it within the public domain and render it susceptible to judicial review.

Total Oil Marine plc and another v Amerada Hess Ltd and others
(FT, July 30)

The Sullom Voe terminal was supplied with oil and gas by two pipelines from the North Sea and significant capital expenditure had been incurred in the construction of the ter*minal, which qualified for a* grant under the Industry Act 1972. The grant had been paid in four amounts over 1983-84 and the oil was collected from wells owned by a number of companies. Membership of the two groups which owned the pipelines and their shares varied from time to time. At first instance it had been declared *(a) as between the two pipeline* groups, the grant should be appropriated in proportion to their respective participation at the time it was received; and (b) grant should be taken as negative capital cost in the calculation of participation adjustment payments when received. It was argued on behalf of the appellants that grant should be allocated in the proportion prevailing when the capital expenditure had been incurred. Dismissing the appeal, the Court of Appeal, by a majority, stated that the whole tenor of the provisions was that there should be a running account in each year and that expenditure and receipts *were to be debited or credited* in the proportion as prevailing that year. In agreement with the judge, therefore, it was held that the grant was to be allocated to pipeline groups in the proportions prevailing when received. Common sense suggested, moreover, that the grant was to be taken into account as a deduction or negative capital expenditure since the apparent aim of the provisions was to transfer the bur*den of past capital expenditure* to new entrants or to those whose participation had increased.

Clifford Chance v Silver
(FT, July 31)

Clifford Chance acted as solicitors in the sale of property in a transaction which involved *inter alia a sale and lease. The* deposit payable under the first agreement (ie the sale) was £100,000. The deposit cheque was sent to the solicitors to hold it until contracts were exchanged but after exchange of contracts, the cheque was dishonoured on presentation. Judgement was given for Clifford Chance at first instance *but on appeal, it was argued* inter alia that Clifford Chance were never "holders in due course" of the cheque, ie that they had not taken the cheque for value with no notice of the defect in its title. Rejecting that argument, the Court of Appeal stated a cheque might be shown to have been conditional or for a special purpose only under section 21 of 1882 Bills of Exchange Act. In the present case, the delivery of the cheque had been conditional and the contract between endorser and endorsee had been incomplete. However, once the contracts for sale of the property were exchanged so that the conditions stipu*lated were fulfilled, the cheque* was then negotiated to Clifford Chance who then became holders in due course. However, following the dishonour, a £50,000 banker's draft had been sent in part payment of the cheque to a firm acting for the lessors and the court gave unconditional leave to defend in relation as to the part payment.

Aviva Golden

CONTRACTS & TENDERS

LEGAL NOTICES

In The High Court of Justice
Chancery Division No 005848 of 1992
IN THE MATTER OF
NORWICH UNION REAL ESTATE MANAGERS LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 13th July 1992 confirming the reduction of the Share Capital of the above-named Company from £12,000,000 to £1,000 in accordance with the above-mentioned Act was registered by the Registrar of Companies on 25th July 1992.

Miss A.F. Christie
Norwich Union Legal Services
PO Box 89
Surrey Street
Norwich
Norfolk NR1 3DR

In the High Court of Justice No. 005940 f 1992
Chancery Division
Mr Justice Millet
IN THE MATTER OF ALPHAMERIC PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

Notice is hereby given that the Order of the High Court of Justice (Chancery Division) dated 20th July 1992, confirming the cancellation of the Share Premium Account of the above named Company ("the Company") in the sum of £13,267,127, the reduction of the capital of the Company from £8,035,156.95 to £1,450,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 23rd July 1992.

Dated this 13th day of August 1992.
Nabarro Nathanson, 50 Stratton Street, London W1X 5FL
Ref: 6A RXP A269 123
Solicitors for the Company

COMMODITIES AND AGRICULTURE

Platinum price tumbles as NY investors bail out

By David Blackwell

NEW YORK platinum futures were tumbling in late trading yesterday as the precious metals markets moved into reverse.

The active October contract on the New York Mercantile Exchange was almost $20 down at $348.50 a troy ounce in late trading. "They are bailing out," one New York floor analyst said as stop-loss sales by commodity funds and others hit the market.

On the New York Commodity Exchange gold and silver futures followed platinum down. In late trading the December gold contract was down more than $8 at $342.30 a troy ounce – well below key support levels.

"There is no reason to own any of these metals at recent levels – either technically or fundamentally. Reality is catching up to these markets," one floor analyst told the Reuter news agency.

Earlier gold fell on the London bullion market below $348 a troy ounce – widely regarded as a critical support level – as it continued to retreat from the recent high of just over $360. It closed at $346.35 a troy ounce, down $2.30 on the day.

London's platinum price also fell, shedding $2.50 to $367.75 a troy ounce. The market has been keeping a close eye on the falls in the Tokyo stock market, fearing that demand for platinum from Japan, the world's biggest importer, could slacken.

Those fears sparked the hectic trading in New York, which was also responding to a further fall to fresh six-year lows in the CRB index of 21 futures, a widely-watched inflation indicator.

The London gold market has retraced its steps by more than 50 per cent after the rally early last month. Some analysts believe the market could now fall back to this year's lows around $334, although others were suggesting that strong support would emerge at $345.

The drift down over the last few days has been mainly due to professional selling by the large commodity funds, disappointed at the market's failure to push above $360, said Mr Wiktor Bielski, analyst with Carr Kitkat & Aitken. On some days in the past week as much as 250,000 ounces has been sold.

However, analysts could not point to any single reason for the decline. Mr Jon Bergtheil of James Capel said there had been no developments in the currency markets and no Central Bank activity which might have pushed prices down. He suggested that De Beers' forecast of a dividend cut on Tuesday could have sparked some jitters over jewellery sales this Christmas.

Ms Rhona O'Connell, analyst with Williams de Broe, part of the Banque Bruxelles Lambert group, said that the weakening Australian dollar had led producers there to sell forward at A$480 a troy ounce.

'Costs to be slashed' at new copper mines

By David Blackwell

NEW COPPER mines scheduled to come on stream in the next three years are expected both to boost production and to slash operating costs, according to a report from the Commodities Research Unit. The growth follows a decade bereft of new capacity and marked by rising costs as producers concentrated on maximising output at a time of high prices.

Eight projects – including La Candelaria in Chile and Louvicourt in Canada – are due to come on stream by the end of 1995 and have a combined annual capacity of 277,000 tonnes a year. Average operating costs of these mines and Chile's Escondida, which opened at the end of 1990, are expected to be less than 45 cents a lb.

This compares with average operating costs of more than 60 cents a lb in 1990. Cash copper is selling at 114 cents a lb on the London Metal Exchange.

A further 10 projects – including Windy Craggy in Canada and Codelco's Chuqui Norte and El Abra in Chile – are due to come on stream between 1996 and 2005, producing an additional 720,000 tonnes a year at an average 43 cents a lb.

Analysis of Copper Mine Cost Structure, published by CRU International, 31 Mount Pleasant, London WC1X 0AD. £5,000.

Crop report confirms big harvest for US farmers

By Matthew Kaminski in Washington

US FARMERS are harvesting a bountiful spring crop despite haphazard summer weather, the US agriculture department reported yesterday.

All-wheat production is pegged at 2.34bn bushels for the 1992 season, up 5 per cent from the previous forecast, and 18 per cent higher than 1991. This is mostly due to anticipated record high production of non-durum spring wheat – 654m bushels, 12 per cent over the last projection – and partly to a revised forecast for winter wheat, up 2 per cent to 1.60bn bushels.

These high wheat numbers should allay fears about depleting US wheat stocks, which are at their lowest level in years.

Maize production is forecast at 8.76bn bushels, slightly below expections but still 17 per cent above last year's crop of 7.474bn.

Soyabeans are expected to surge to 2.8bn bushels – up 5 per cent from last year's 1.975bn bushel crop and well ahead of recent forecasts.

Less fecund were cotton producers with production expected to reach 16.5m bales, 6 per cent less than last year. Southern cotton belt states had a cold and wet spring which will lower yields by as much as two-thirds, as it did in Texas. This is expected to lower cotton export estimates, but the USDA kept the forecast unchanged at 6.7m bales.

Industry analysts welcome the bumper crop, which follows several dry years, but warn that demand remains alarmingly stagnant. Over the past six weeks, corn prices have roughly slipped by 20 per cent, soyabeans by 25 per cent and, since the beginning of the year, wheat prices have dropped by 25 per cent. "There is still room to go lower," said Mr Martyn Foreman, an analyst at Illinois' Agreviser.

Wheat exports also pose problems for US farmers. In particular, Russian demand has fallen – and the Russians are harvesting a good crop this year – leading the USDA to reduce export estimates from 1.175bn to 1.125bn.

However, maize and soyabean exports are expected to rise. The maize forecast for 1992-93 exports is up 50m to 1.60bn bushels. Meanwhile, large European demand for soyabean has led the USDA to revise both the 1991-92 and the 1992-93 projections, from 680m bushels to 690m and 675m to 700m respectively.

Bulgarian mines flounder in market economy

Domestic shipments have fallen by 60% over the past two years writes Karen Taylor

THE MOVE to democracy and a market economy in Bulgaria has decimated the traditional industries of the Balkan country, leaving its metals industry in crisis.

Although the Union of Democratic Forces became the largest single political party in the National Assembly elections in October last year, it failed to win overall majority. This has led to the Bulgarian Socialist Party – the repackaged communist party – blocking reforms in alliance with smaller parties, generally making the transition to capitalism that much more painful.

The impact of this on the country's primary metals companies and manufacturers of semi-fabricating products has been dramatic. Domestic shipments have fallen by 60 per cent over the past two years as the construction, electronics and machine building industries of Bulgaria have floundered in the new free market conditions. In many cases home market sales now account for only 20 per cent of output.

Gone are the assured trading partners of Comecon Europe, led by the former Soviet Union, and Bulgaria has been forced to join the rest of the world in its bid to sell increasingly sophisticated products in highly competitive international markets. But the most remarkable thing about the Bulgarian metals industry is that it is surviving in the face of lack of investment; a western world recession; and the enormous effort involved in trying to capture new markets.

Like the lead and zinc smelters and copper semi-fabricating producers in Bulgaria, the country's sole primary copper producer MDK at Pirdop, which used to depend on state support to cover its regular losses, is operating at a profit, according to Mr Dimitre Andreev Petrov, deputy director in charge of production and development.

Previously known as Georgi Damanyov, after a former and now discredited communist prime minister, the plant is forced to operate at less than half the 170,000-tonnes-a-year potential of its Outokumpu flash furnace because of lack of investment. About 25,000 tonnes of refined copper is produced annually for the domestic market and a further 25,000 tonnes for export, with some produced on a toll smelting contract basis, for, among others, Marc Rich, the international trading company based in Zug, Switzerland.

However, as MDK has yet to obtain London Metal Exchange listing for its copper cathodes it is finding it hard to meet the specifications of many western consumers. Even the domestic semi-fabricator Energocabel in Sofia restricts its intake from MDK to 25 per cent, preferring western cathode.

Mr Petrov, like many of his compatriots, is looking for foreign finance for investment. He said: "We are now making investigations to this effect. Certain companies which have an interest in enlarging our copper production are helping us with preliminary investigations. In three to four months we hope to have a solution".

Unfortunately the country's precarious political situation, coupled with crippling corporate taxation – set at 52 per cent but rising to over 80 per cent when hidden levies are included – provides little encouragement for investors. And the government's ambitious privatisation programme is unlikely to have any more success in attracting foreign finance. It will be at least early 1993 before the first Bulgarian state companies come under the hammer. "The metals industry will see no incentives this year," Mr Pirin Tzenkov, general director of the Ministry of Trade, said. Answering criticism levelled by the industry that sluggish reforms were hindering investment, he admitted that they were moving too slowly. "The crisis in the metals industry is very strong," he said, "but the financial situation needs to be sorted out before measures like reduced taxation can be implemented."

Mr Tzenkov was also pessimistic about the privatisation of the metals industry, whose expensive plants will need huge investment with little promise of early returns. "Our banks are a good example of this. Some individual banks have issued shares and, though they operated at a profit, no dividends were released," he explained. "The same could happen at these large plants."

But foreign investment is not ruled out altogether. There are ways round Bulgarian law. For example, the Council of Ministers can remove taxes from large companies for limited periods. At the same time, certain legislation allows foreign companies to pay taxes in the country most favourable to them – ie, their own.

Meanwhile, without exception the metals companies of Bulgaria are following LME prices and in some cases delivering metal on to the exchange. They are selling direct to end users and using independent traders, thus reducing their dependence on state import-export companies like Rudmetal.

Reducing staff levels has been a common policy throughout the Bulgarian metals industry, unless sensitive social factors make this impractical. For example, the KCM lead and zinc plant in the industrial heartland of Plovdiv has kept on its 2,250 staff as many other companies in the area have closed or face bankruptcy. The unemployment level is already at 25 per cent.

At the moment KCM is negotiating a one-year contract with two labour unions. But with the average salary at L3,600 (£85) a month, more than twice the national average, strike action is unlikely. Mr Tzenkov spoke of the problems of balancing conflicting social issues in the area. "First of all there was a movement to close the Plovdiv plant due to ecological reasons and then there was a movement to reopen it due to the unemployment problem," he said.

Green lobbyists, increasingly active in the country, were evidently mollified by a compromise situation. The plant shut down its lead production from January-March this year, during which it installed new purifying equipment. According to Mr Nicola Dobrev, KCM's managing director, this has brought the plant's emissions in line with Bulgaria's national standards. Nevertheless, the company's lead output has been restricted to 32,000 tonnes a year, compared with a potential 40,000-50,000 tonnes. Zinc production is also expected to be lower than the 60,000 tonnes capacity this year, at 50,000 tonnes. This is largely due to reconstruction and repairs to the plant.

The other lead and zinc producer in the country, the Lead-Zink complex in Kardjali, planning to build a new 50,000-tonnes-a-year zinc smelter at its existing site with unnamed US partners. Mr Russi Dafinov, the general manager, said that Bulgarian government approval was expected and building should start next year. It would be a further three years before the plant was commissioned and it would replace the existing 27,000-tonnes-a-year plant. Its lead output has also been reduced to 20,000 tonnes a year from 42,000 tonnes, because of environmental concerns.

Alongside the industry's emphasis on exports, with markets primarily in the Far and Middle East and neighbouring countries, imports of raw materials are taking on increasing importance.

Niproruda, the Bulgarian state-owned mining, research and technology company, is currently assessing the future viability of the country's mining and metals sector. According to deputy director Ivan Daskalov, some 50-60 per cent of the country's mines and concentrators are unprofitable. Ore grades have fallen significantly after years of exploitation. So much so that the Bulgarian Council of Ministers announced last month that 56 mines would be closed in the next few years.

The announcement triggered an immediate strike threat by the country's two main unions, who demanded the publication of the mine rehabilitation decree in the State Gazette.

The government, already facing a crisis of confidence and possible collapse by September, quickly acquiesced, publishing the decree on July 28. Included are the Burgas Copper Mines, with six sites to be closed from 1992-94. Also copper mines belonging to Asarel Medet, Eliseina and Ustrem are to go, as well as 20 lead and zinc mines under the control of Gorubso and the Madjarovo and Osogovo non-ferrous mines.

Whether the Bulgarian metals industry will be able to meet the overwhelming challenges of finding new trading partners and sources of raw material, coupled with the replacement of ageing plant and technology, remains to be seen. The country has, as yet, the advantages of cheap labour and fixed-price power, as well as a relatively good position logistically. But as Mr Tzenkov said: "It is difficult to envisage what the industry will look like in ten years' time."

Karen Taylor is a deputy editor (non-ferrous) of Metal Bulletin magazine.

Indonesia takes top place in tin production league

By Kenneth Gooding, Mining Correspondent

INDONESIA CAPTURED from Brazil last year top place among the world's tin producers, according to an analysis in the latest Metals and Minerals annual review.

It suggests that in south-east Asia "Indonesia was alone in staging an attempt to ensure the longer-term survival of domestic tin mining".

The author, Mr Andrew Shaw of Metals & Minerals Research Services, adds: "The evidence so far suggests that this attempt has been partly successful". He points out that local producer PT Tambang Timah's cost-cutting programme and a productivity drive at Koba, owned by Renison Goldfields Consolidated of Australia, restricted Indonesia's output decline while putting the country among the lowest-cost producers. In contrast, Brazil's output suffered because activity at the rich Bom Futuro operation in Rondonia was severely curtailed.

Tin mine output outside the former eastern bloc last year was at its lowest since 1959 at 137,100 tonnes, down from 158,100 tonnes in 1990. But Indonesia held production at 30,100 tonnes compared with 31,700 tonnes in 1990. Meanwhile, Brazil's output fell from 39,100 tonnes to 29,300 tonnes.

"Mining Annual Review 1992" and "Metals & Minerals Annual Review 1992," £60 or $110 for the two volumes from Mining Journal, 60 Worship Street, London, EC2A 2HD.

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA prices at one stage dropped by up to £30 a tonne as New York continued to move lower, but traders were still struggling to find any fresh fundamental reason for the fall. "At first I thought there had to be some origin selling but not at these prices. It really just looks like tired long liquidation," one dealer said. By London's close, New York had also recovered from its lows. But should the downside move be resumed, next support was plotted at £610 for the December contract. "It's not cocoa that is weighing on the market, but speculators. The problem is there's been no decent buying around. A lot of bulls are happy to see the market come down so they can buy on the dips," another dealer said. London's robusta COFFEE prices also dropped back after New York scored new life-of-contract lows, weighed down by the abundance of supply. Trading remained dull on the LME as the summer slowdown in physical interest and an absence of fresh news continued to restrict activity, dealers said. Prices closed mixed, although COPPER and ZINC slipped through the floors of their current trading ranges, while ALUMINIUM was near its downside support, they said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.50-7.65y	+.050
Brent Blend (dated)	$19.60-9.65	+.150
Brent Blend (Sep)	$19.70-9.75	+.125
W.T.I (1 pm est)	$21.05-1.10y	+.150
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	-2.0
Gas Oil	$175-177	+1.0
Heavy Fuel Oil	$84-85	+1.0
Naphtha	$190-191	+1.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$346.35	-2.3
Silver (per troy oz)♣	389.0c	-7.5
Platinum (per troy oz)	$367.75	-2.5
Palladium (per troy oz)	$87.00	-0.5
Copper (US Producer)	117.0c	
Lead (US Producer)	39.40c	+7.22
Tin (Kuala Lumpur market)	16.70r	+0.27
Tin (New York)	313.5c	+2
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.18	-1.35*
Sheep (live weight)†♠	71.94	-3.72*
Pigs (live weight)†	78.85p	-2.66*
London daily sugar (raw)	$266.0w	+2.0
London daily sugar (white)	$291.0w	-0.5
Tate and Lyle export price	£247.0	+1.5
Barley (English feed)	£118.5z	+0.5
Maize (US No 3 yellow)	£161.5	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50.50p	
Rubber (Oct)♥	50.50p	
Rubber (KL RSS No 1 Jul)	219.5r	-1.0
Coconut oil (Philippines)§	$530.0t	
Palm Oil (Malaysian)§	$375.0y	
Copra (Philippines)§	$315.0	+2.5
Soyabeans (US)	£136.0	+1.5
Cotton "A" index	60.05c	+0.05
Wooltops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Dec/Jan. w-Aug/Sep. y-Sep. z-Oct/Dec. † Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	219.00	215.00	218.80 216.00
Dec	208.00	203.00	203.00
Mar	207.00		208.00
White	**Close**	**Previous**	**High/Low**
Oct	268.00	267.20	268.50 266.00
Dec	264.50	263.20	264.70 263.00
Mar	267.60	266.50	267.40 265.90
May	271.50	270.50	270.00 269.50
Aug	276.50	275.50	274.70 274.50
Oct	267.00	266.50	266.70 265.50

Turnover Raw 47 (37) lots of 50 tonnes. White 1664 (814) Paris. White (FFr per tonne): Oct Dec

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Sep	19.72	19.60	19.80 19.59
Oct	19.76	19.64	19.90 19.66
Nov	19.74	19.67	19.80 19.67
Dec	19.70	19.62	19.75 19.62
Jan	19.61	19.50	19.62 19.54
Feb	19.49		19.41
Mar	19.38		19.34
IPE Index	19.60	19.74	19.60

Turnover 33000 (27666)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Aug	172.75	175.50	175.50 172.75
Sep	179.00	179.25	179.75 177.50
Oct	182.50	182.25	182.75 181.25
Nov	185.00	184.50	185.25 183.50
Dec	187.00	186.50	187.00 185.25
Jan	186.50	186.00	186.50 185.25
Feb	182.75	183.00	183.00 182.75
Mar	179.00	179.50	179.50 179.00
Apr	176.50	176.50	177.00 176.50

Turnover 23332 (16338) lots of 100 tonnes.

WOOL

Australian wool prices are staying fairly steady in terms of Australian cents. The Australian Wool Corporation's market indicator drifted fractionally down 5 cents to 530 during the first two selling days this week. The Australian dollar has however registered a sharp change from its normal close alignment with the US dollar at about 75 cents, the rate moved this week to 71 cents. The US dollar is itself weak, and buyers almost everywhere find wool distinctly cheaper for currency reasons. Holidays remain an important factor keeping the market dull, apart from price softness connected with currency volatility.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	597	613	612 583
Dec	633	643	643 613
Mar	662	670	673 644
May	681	688	690 663
Jul	700	709	711 682
Sep	720	737	728 703
Dec	745	750	753 735
Mar	773	780	779 758
May	798		799 780
Jul	818		818 800

Turnover 10250 (5714) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Aug 11 780.51 (817.97) 10 day average for Aug 12 802.86 (801.98)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Sep	710	721	722 705
Nov	729	741	741 725
Jan	743	755	750 735
Mar	758	771	771 753
May	766		769 765
Jul	785	795	802 785

Turnover 3546 (2636) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Aug 11 Comp. daily 46.23 (46.47) 15 day average 47.49 (47.74)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	[illegible]	59.1	58.5 57.0

Turnover 97 (169) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Feb	120.50		120.50

Turnover 175 (128) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Aug	1075	1072	1075 1070
Sep	1115	1116	1115 1105
Oct	1200	1196	1200 1190
Jan	1239	1234	1240 1230
Jul	[illegible]		1120
BFI	105[illegible]	1057	1057

Turnover 137 (88)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Nov	[illegible]	115.35	115.30 115.00
Jan	119.00	119.15	119.00 118.90
Mar	[illegible]	122.15	121.95
May	125.00	125.20	125.00
Barley	**Close**	**Previous**	**High/Low**
Mar	119.00	119.00	119.00
May	121.05	121.20	121.05

Turnover: Wheat 158 (140), Barley 12 (40). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	104.2	104.0	104.0

Turnover 18 (65) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,706 lots
Cash	1304-5	1307-8	1304.4/1304	1304.5-5.0		
3 months	1328-9	1331-2	1332/1326	1328.5-9.0	1328-9	180,701 lots
Copper, Grade A (£ per tonne)						Total daily turnover 20,117 lots
Cash	1299-300	1308-9	1306	1306-6.5		
3 months	1320.5-1	1329-9.5	1327/1318	1327-7.5	1316-7	146,390 lots
Lead (£ per tonne)						Total daily turnover 1,549 lots
Cash	339.5-40.5	366.5-7.5	340	340-40.5		
3 months	349.5-50	346-7	351/348	349.5-50	348-9	30,046 lots
Nickel ($ per tonne)						Total daily turnover 4,447 lots
Cash	7250-60	7235-45		7230-40		
3 months	7330-5	7315-20	7346/7310	7305-10	7340-5	26,005 lots
Tin ($ per tonne)						Total daily turnover 2,140 lots
Cash	6770-80	6735-45	6775	6770-5		
3 months	6800-5	6765-70	6810/6790	6795-800	6800-5	12,893 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,197 lots
Cash	1353-5	1359-60.5		1356-7		
3 months	1345-5.5	1353-4	1351/1341	1346-9	1342-3	66,764 lots

LME Closing £/$ rate: SPOT: 1.926 | 3 months: 1.8964 | 6 months: 1.8723 | 9 months: 1.8442

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	346.20-346.50	
Opening	347.40-347.80	
Morning fix	346.50	179.361
Afternoon fix	346.80	180.034
Day's high	347.70-348.00	
Day's low	345.50-345.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.71	6 months	2.73
2 months	2.71	12 months	2.78
3 months	2.71		

Silver fix	p/troy oz	US cts equiv
Spot	202.35	389.25
3 months	207.95	392.50
6 months	212.75	395.80
12 months	223.60	403.85

GOLD COINS

	$ price	£ equivalent
Krugerrand	346.00-348.00	180.00-182.00
Maple leaf	356.35-358.65	-
New Sovereign	83.00-85.00	43.00-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	25	61	11	25
1350	5	35	41	48
1400	3	18	86	80
Copper (Grade A)	**Calls**		**Puts**	
2450	66	89	9	52
2500	33	64	26	78
2550	13	44	56	105
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
600	110	131		2
650	60	87		8
700	18	51	8	22
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
550	48	89	1	6
575	26	69	4	11
600	11	52	14	19
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1950	58		29	48
2000	32	46	60	72
2050	15			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	338.6	347.3	346.5	338.3
Sep	339.0	347.9	0	0
Oct	340.1	349.0	349.0	338.7
Dec	342.0	350.9	351.3	340.5
Feb	343.8	352.8	352.9	342.5
Apr	345.6	354.6	353.9	344.0
Jun	347.4	356.5	356.0	353.0
Aug	349.3	358.4	351.5	351.5
Oct	351.3	360.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	353.6	367.7	366.5	348.0
Jan	353.0	366.5	367.0	347.0
Apr	352.0	367.0	366.4	350.0
Jul	360.5	368.0	360.5	360.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	376.7	388.5	0	0
Sep	377.5	389.5	390.5	376.0
Oct	379.5	391.5	0	0
Dec	381.2	393.5	394.5	379.5
Jan	382.5	394.9	380.5	380.5
Mar	385.1	397.5	336.5	383.0
May	387.9	400.5	396.0	391.5
Jul	390.4	403.1	402.0	390.0
Sep	393.4	406.2	0	0
Dec	397.7	410.8	411.0	398.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	111.00	112.25	111.80	111.00
Sep	111.35	112.65	112.70	111.20
Oct	111.50	112.75	112.05	111.55
Nov	111.45	112.65	112.00	111.50
Dec	111.40	112.50	112.60	111.38
Jan	111.00	112.10	0	0
Feb	110.65	111.70	0	0
Mar	110.25	111.25	111.20	110.40
Apr	109.45	110.35	110.00	110.00
May	108.95	109.70	109.65	109.25

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Sep	21.08	20.91	21.13	20.97
Oct	21.02	20.86	21.07	20.90
Nov	20.96	20.82	21.00	20.86
Dec	20.90	20.77	20.92	20.78
Jan	20.82	20.69	20.85	20.75
Feb	20.73	20.60	20.72	20.64
Mar	20.63	20.50	20.65	20.54
Apr	20.53	20.40	20.51	20.48
May	20.43	20.31	20.44	20.41
Jun	20.33	20.22	20.36	20.2[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Sep	57.87	57.55	57.95	57.25
Oct	58.93	58.62	59.00	58.25
Nov	60.05	59.72	60.10	59.65
Dec	61.10	60.74	61.20	60.70
Jan	61.60	61.24	61.65	61.25
Feb	60.95	60.64	61.10	60.75
Mar	59.15	58.84	59.30	59.00
Apr	57.45	57.14	57.60	57.00
May	56.15	55.79	56.25	55.80
Jun	55.35	54.99	55.25	55.20

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	995	1002	998	952
Dec	1054	1061	1057	1013
Mar	1104	1111	1106	1062
May	1135	1143	1135	1100
Jul	1163	1172	1163	1133
Sep	1193	1202	1182	1162
Dec	1228	1237	0	0
Mar	1264	1273	0	0
May	1292	1301	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	50.75	52.80	52.80	50.20
Dec	53.45	55.40	55.20	52.90
Mar	56.15	58.15	57.75	55.80
May	60.10	62.00	61.60	59.75
Jul	62.55	64.50	64.20	62.50
Sep	64.70	66.50	66.40	64.60
Dec	68.70	70.55	70.00	68.60

SUGAR WORLD "11" 112,000 lbs, cents/lbs

	Close	Previous	High/Low	
Oct	9.86	9.83	9.90	9.73
Mar	9.39	9.38	9.42	9.30
May	9.31	9.32	9.34	9.25
Jul	9.28	9.29	9.29	9.20
Oct	9.18	9.18	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	60.50	58.18	60.85	59.85
Dec	58.20	60.10	58.38	57.65
Mar	59.46	60.85	59.55	60.00
May	60.20	60.46	60.25	59.75
Jul	60.60	60.50	61.26	60.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	106.90	105.85	107.50	105.60
Nov	104.65	104.15	105.05	103.90
Jan	104.10	104.30	105.00	103.80
Mar	104.46	104.60	105.00	104.25
May	104.50	104.55	105.15	104.60
Jul	104.60	104.20	0	0
Sep	104.60	104.20	0	0
Nov	104.60	104.20	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 12	Aug 11	mnth ago	yr ago
1531.7	1535.4	1559.9	1643.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 11	Aug 10	mnth ago	yr ago
Spot	116.68	117.03	118.09	116.90

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	541/0	548/0	548/2	539/4
Sep	539/2	545/0	545/4	538/0
Nov	538/2	539/2	540/0	534/4
Jan	544/0	546/6	547/4	542/4
Mar	551/2	554/2	555/0	550/4
May	558/6	561/0	561/4	558/0
Jul	564/4	565/2	567/6	564/0
Aug	564/0	563/4	566/0	564/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.15	18.25	18.25	18.08
Sep	18.17	18.28	18.29	18.12
Oct	18.33	18.41	18.44	18.25
Dec	18.69	18.72	18.74	18.56
Jan	18.85	18.87	18.90	18.75
Mar	19.16	19.17	19.20	19.06
May	19.43	19.46	19.52	19.36
Jul	19.66	19.72	19.77	19.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	169.4	169.9	170.4	168.8
Sep	170.3	170.9	171.4	169.8
Oct	187.1	187.6	187.8	186.5
Dec	185.8	186.3	186.6	185.3
Jan	185.4	186.0	186.3	185.3
Mar	185.0	185.8	186.0	184.8
May	185.0	185.8	186.0	184.8
Jul	185.8	186.2	186.7	185.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	214/6	218/4	217/0	214/4
Dec	218/4	219/6	220/2	217/6
Mar	227/4	229/0	229/0	227/0
May	233/6	235/4	235/6	233/2
Jul	238/2	240/2	240/0	237/2
Sep	239/0	240/2	240/0	238/4
Dec	243/2	243/2	243/6	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	306/2	311/4	312/0	305/6
Dec	317/2	322/6	322/4	316/6
Mar	324/4	328/6	329/0	324/0
May	322/4	325/0	327/0	321/6
Jul	308/4	309/6	310/0	307/0
Sep	313/4	312/0	0	0
Dec	322/4	323/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.800	74.600	74.700	74.350
Oct	74.275	74.100	74.350	73.925
Dec	72.625	72.500	72.750	72.425
Feb	71.875	71.875	72.050	71.600
Apr	73.000	73.150	73.100	72.800
Jun	70.250	70.200	70.300	70.200
Aug	68.725	68.600	68.800	68.650

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	43.600	43.250	43.675	43.050
Oct	39.100	38.850	39.200	38.850
Dec	40.000	39.650	40.050	39.775
Feb	39.625	39.775	40.000	39.500
Apr	38.400	38.650	38.660	38.325
Jun	44.000	44.000	44.150	44.000
Aug	43.000	43.100	43.150	43.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	35.325	33.325	35.325	33.550
Feb	37.650	38.300	38.700	37.625
Mar	37.700	37.950	38.350	37.150
May	38.800	39.500	39.450	38.600
Jul	38.425	38.450	38.650	38.425
Aug	38.350	39.350	38.500	37.350

LONDON STOCK EXCHANGE

Losses extended in nervous trading

By Terry Byland, UK Stock Market Editor

AN ATTEMPT to break the longest-running streak of bearish sessions in the UK stock market for at least eight years failed yesterday when the FT-SE Index suffered its seventh consecutive daily fall. The Footsie 2,300 level was challenged again in nervous trading although share prices rallied after turning down sharply when a director of Commercial Union, the UK insurance group, said that UK equities are still not good value despite the recent setback.

Equities opened higher on a widely expected technical bounce which, at first, enabled London to brush aside the further losses in New York and Tokyo. Confidence was at first sustained by a firm opening in the stock index futures sector. But the early gain of 17 points on the Footsie was whittled away later and then the market began to fall away sharply.

At the day's low, the Footsie was down to 2,299.3 but by the close of trading the loss had been cut to 6.5 for a final reading of 2,303.1.

There appeared to be no new factors in the market yesterday. Worries over upward pressures on mortgage lending rates eased when Alliance & Leicester, a leading UK building society, reduced deposit rates, rather than increased loan rates.

But, in the second half of the session, confidence was jolted by rumours – quickly denied – that Mr Norman Lamont, UK chancellor of the exchequer, had resigned, and also by reports, later discounted, that Iraq had moved troops to the Kuwait border.

Account Dealing Dates		
*First Dealings:		
Jul 27	Aug 10	Aug 24
Option Declarations:		
Aug 6	Aug 20	Sep 3
Last Dealings:		
Aug 7	Aug 21	Sep 4
Account Day:		
Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

Traders regarded the market's reaction to these fleeting and unsubstantiated rumours as an indication of its underlying lack of confidence. Even the bearish views on equities from Commercial Union were not considered, in retrospect, very different from comments made earlier in the day when the board announced satisfactory interim results.

On the domestic front, investors awaited today's economic data on UK employment, wages and unit costs, which will be followed tomorrow by the July Retail Price Index.

"There really is no reason to rush to buy the UK market," commented the head trader of a leading international house. Fears that the Footsie index remains vulnerable all the way down to 2,150 continued to haunt a now somewhat demoralised stock market.

On the international front, attention is focused on the Nikkei Average which, having lost the 15,000 mark, is now believed by some analysts to be heading towards 12,500. In Europe, investors await the outcome of the referendum in France on the Maastricht treaty on September 20.

Trading volume appeared to be lighter than on the previous day, although the bout of nervous selling in the afternoon lifted the Seaq total to 406.2m shares.

Tuesday's Seaq volume of 564m shares reflected retail, or direct customer interest, worth £1.1bn. This figure, a return to more satisfactory levels of business from the point of view of the London-based securities houses, was clearly boosted by the two trading programmes identified in the market on Tuesday, when the institutions were selling stock.

Manoplax boost for Boots

NEWS that its heart drug Manoplax has received UK approval lifted Boots, taking the shares up 7 to 429p. Although Manoplax has been in tests for three years, a setback at the beginning of the trial period had left analysts somewhat cynical.

However, yesterday's announcement raised hopes that other approving authorities could soon follow suit, with the lucrative US market high on the agenda.

Estimates vary as to how much Manoplax might be worth to Boots. While the UK market is likely to bring in around £10m a year from next year, US approval could mean £100m a year by 1997. Mr Nick Hawkins at Kleinwort Benson said that the news, together with firm retail sales and recent selling pressure, meant that the shares were good value.

Queens Moat falls

Improved profits and an increased dividend failed to halt a slide in the shares of Queens Moat Houses as the hotel group surprised the market by disclosing an unexpected jump in debt levels. The company undermined sentiment further by stating it intended to pursue opportunities in the German hotel market, which may involve additional capital expenditure.

"The borrowing position has caused giant disappointment," said Mr Bruce Jones at Smith New Court. "The figures were fine and the depreciation policy positive. But they have created a credibility and sentiment problem and won few friends."

Mr Mark Finnie at County NatWest argued that Queens Moat may need a cash call within the next two years if it fails to contain debt levels. "Expansion is something the market does not want to hear about at the moment," he said.

However, Kleinwort Benson painted a more positive view. Analyst Mr Paul Slattery said worries over the debt position had been overdone and pointed to the "dramatic growth" in trading profits. Kleinwort has pulled its full-year forecast back £7m to £93m, with County on £94.5m, Paribas on £94m and Smith on £95m. Queens Moat shares tumbled 8 to 57p with 6.2m traded.

CU pleases

Insurer Commercial Union (CU) was a strong performer after a set of interim results that surprised the market. The shares rose 8 to 443p.

The company was still in deficit over the first half, but its loss narrowed to £18.1m from £26.3m. The forecast was for a loss of between £19m and £35m. There was some disappointment that the dividend was merely maintained at 9.25p but Mr Steven Bird, insurance analyst with Smith New Court, raised his current-year forecast to break-even from a £20m loss, and improved his 1993 estimate by £14m to £130m, arguing that the stock "remains the prime buy in the sector".

Burmah firm

Oil group Burmah Castrol was one of the stronger performers in the market, receiving encouragement from a couple of positive pieces of research.

Securities house Smith New Court put the stock on its buy list ahead of interim results on September 3. Analyst Mr Nick Clayton said the stock was at a 16 per cent P/E discount to the market and that the shares were attractive up to 600p. Also, Carr Kitcat & Aitken put out an internal buy note, saying that Burmah was: "A good solid company that is now back to a reasonable rating." The shares closed 18 higher at 543p.

Saatchi wanted

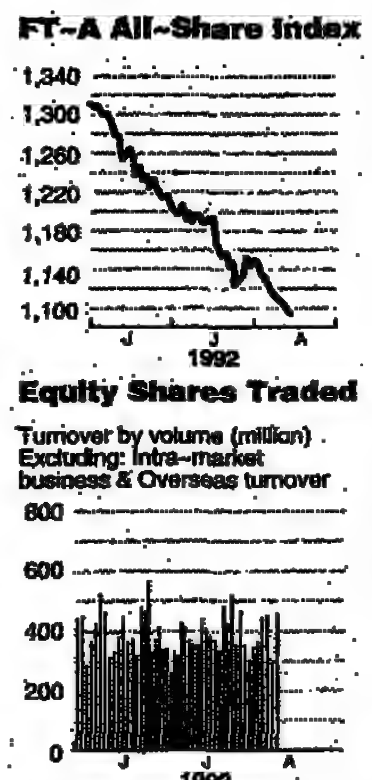
Advertising group Saatchi & Saatchi rose sharply as investment houses in the US and UK turned positive on the stock following an encouraging set of results. The shares jumped 14 to 150p.

In London, S.G. Warburg Securities upgraded its short-term recommendation to buy from hold and increased its full-year profit forecast to £21.5m from £17.5m. Meanwhile, in New York, Smith Barney published a buy recommendation after hosting a meeting between potential investors and Saatchi executives in the US.

Drug group Wellcome fell 4 to 778p as Robert Fleming, the merchant bank which handled the recent £2.16bn sale of shares by the Wellcome Trust, again cut its bid price. The bid was trimmed by 3p to 777p.

Smith & Nephew was slightly easier at 136p despite its defensive qualities. Nomura reduced its 1992 forecast by £5m to £145m, principally to reflect a weaker dollar. The shares eased ¼ to 136p.

ICI returned to the level it had reached before announcing a demerger. One analyst said investors were realising that it would be a long time before the impact of the planned demerger was felt. The shares fell 10 to 1094p.



BP held steady at 189p on turnover of 11m receiving some support from a Carr Kitcat & Aitken buy recommendation.

Shares in Eurotunnel edged up a penny to 324p after the company said talks on additional costs with tunnel constructer TML were making progress and could be over "within week".

Airports operator BAA continued its recent advance, this time boosted by the release of slightly better than forecast July passenger traffic figures, up 11 per cent on the same month last year. The shares gained 4 to 633p, with talk of some dealers switching out of BAA and into British Airways. The airliner's shares closed 8 down at 245p.

Hotel group Forte suffered from Queens Moat's figures. The stock closed at 130p, off 7. A big seller of Rank Organisation unhinged the shares, off 9 at the close at 534p.

Shares in manufacturer Northern Foods made a technical bounce after the recent battering which followed a bout of downgrades. They jumped 17 to 249p in heavy volume of 3.1m.

Talk that Dutch conglomerate SHV had raised its stake in retailer Nurdin and Peacock helped the shares 3 to 151p.

In engineers and metals, Siebe rebounded 9 to 598p in thin trade. A broker's recommendation earlier in the week continued to benefit TI Group, with the shares 4 better at 270p. Shares in Williams Holdings fell 13 to 241p, with UBS Phillips & Drew reported to have been the day's main sellers. Turnover reached 2.2m.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price

■ Other market statistics, Page 17.

FINANCIAL TIMES STOCK INDICES

	Aug 12	Aug 11	Aug 10	Aug 7	Aug 6	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.06	88.21	88.28	88.28	88.18	85.89	89.75 (3/7)	86.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.29	104.40	104.49	105.11	105.10	94.54	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1715.3	1728.5	1731.8	1753.3	1774.2	2033.3	2149.7 (22/5)	1715.3 (12/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	85.6	86.2	89.3	88.7	88.6	177.2	100.6 (10/1)	83.6 (6/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2303.1	2309.6	2325.7	2350.1	2377.6	2608.8	2737.8 (11/5)	2303.1 (12/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1065.14	1068.69	1074.19	1089.80	1101.65	1179.86	1248.79 (11/5)	1065.14 (12/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	5.34	5.31	5.28	5.23	5.19	4.66				
●Earning Yld %(full)	7.64	7.59	7.55	7.47	7.41	7.76				
●P/E Ratio(Net)(☆)	16.52	16.62	16.72	16.90	17.03	18.06				
SEAQ Bargns 5.00pm	16,408	18,624	15,921	19,876	16,624	28,410				
Equity Turnover(£m)†	-	1090.8	898.9	1044.9	1041.0	1020.8				
Equity Bargains†	-	20,227	18,350	23,495	19,392	25,897				
Shares Traded (ml)†	-	471.7	297.1	450.8	447.5	549.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.37.

Ordinary Share Index, Hourly changes — Day's High 1734.4 — Day's Low 1711.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1728.3	1728.1	1729.0	1728.9	1728.7	1725.9	1722.2	1721.3	1715.6

FT-SE 100, Hourly changes — Day's High 2326.7 — Day's Low 2299.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2316.0	2316.2	2321.7	2322.3	2318.2	2316.7	2312.7	2313.8	2306.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1071.72 — Day's Low 1064.58

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1070.94	1071.28	1069.61	1068.46	1067.73	1065.84	1065.74

GILT EDGED ACTIVITY

Indices*	Aug 11	Aug 10
Gilt Edged Bargains	88.6	72.0
5-Day average	76.8	78.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	52	400	-5	Comm. Union	1,100	443	+8	Lonrho	2,800	75		Shell Transport	5,100	451	+1
ASDA Group	2,400	34	-½	Cookson	3,100	128	-2	Lucas	2,300	102		Siebe	415	598	+9
Abbey National	3,300	261	-1	Courtaulds	541	449	+7	MB Caradon	128	236	-1	Slough Ests	202	108	
Albert Fisher	1,000	35½	-1½	Dalgety	887	396	-1	MEPC	188	220	+1	Smith (W.H.) A	147	389	
Allied-Lyons	1,300	807	-6	De La Rue	208	840	-6	Marley	61	326	-3	Smith & Nephew	845	136	-1
Amstrad	1,500	25		Dixons	602	181	-3	Marks & Spencer	2,400	302		SmKl Beecham	1,400	447	
Anglian Water	1,000	393	+6	Eastern Elect.	1,400	280		Midlands Elect.	790	289		SmKl Beecham Uts.	617	407	+2
Argos	1,100	195	+2	East Midland Elect.	778	273		NFC	1,200	281	+1½	Smiths Inds.	405	384	+3
Argyll Group	2,000	323	-½	Eng China Clays	777	450	+9	NatWest Bank	3,100	310	+2	Southern Elect.	970	288	+1
Arjo Wiggins	428	211	+1	Enterprise Oil	884	355	+8	National Power	2,200	225	+4	South Wales Elect.	173	330	
[illegible]															
Brit. Aerospace	700	208	-5	IMI	30	224	+2	Rolls Royce	727	134	-4	Utd. Newspapers	350	380	-6
British Airways	2,200	245	-8	ICI	881	1094	-10	Rothmans	328	1025	+5	Vodafone	3,300	312	-6
British Gas	4,100	230		Inchcape	529	389	+4	Ryl Bk Scotland	1,800	147	-1	Warburg (SG)	105	421	+2
British Land	480	158		Kingfisher	1,300	420	-2	Royal Insurance	1,400	185	+1	Wellcome	4,200	778	-4
British Steel	12,000	54½	-1½	Kwik Save	977	659	-15	Saatchi	887	150	+14	Welsh Water	316	415	+2
Bunzl	74	87	-1	Ladbroke	3,000	154		Sainsbury	1,400	432	-4	Wessex Water	118	479	+3
Burmah Castrol	898	543	+18	Land Securities	237	383	-1	Scottish & New.	1,100	435		Whitbread 'A'	809	390	-12
Burton	2,900	31½	-1	Laporte	171	487	-12	Scot. Hydro-Elect.	316	195½	+½	Williams Hldgs.	2,200	241	-13
Cable & Wire.	1,100	504		Legal & General	878	304	+5	Scottish Power	2,900	183	+1½	Willis Corroon	582	198	-5
Cadbury Schweppes	1,800	455	-7	Lloyds Abbey	389	322	-3	Sears	3,300	67	-1	Wimpey	28	108	+3
Calor Group	15	172		Lloyds Bank	1,700	371		Sedgwick	301	168	-3	Wolseley	186	323	-4
Carlton Comms.	865	580	+5	LASMO	2,600	136½	-1½	Seeboard	431	301	+1	Yorkshire Elect.	884	380	-1
Coats Viyella	2,300	184	-1	London Elect.	718	284	-2	Severn Trent Water	1,400	380	+8	Yorkshire Water	872	418	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

CONTINUED nervousness and uncertainty about the outlook once again dominated trading in the derivatives, sending stock index futures falling as dealers focused on unsubstantiated rumours, writes Joel Kibazo.

The September contract on the FT-SE opened strongly with the first bargain struck at 2,326, 9 points above Tuesday's close. The contract moved gently forward and reached the session's high point of 2,340 by mid-morning, when a period of sideways trading ensued.

Speculation about events in the Middle East and later about the UK chancellor's tenure caused the sharp retreat of September. A poor Wall Street combined with sell orders from two securities houses led to a continued slide and by 4pm it had fallen to 2,294, at which point it was trading at a discount to the cash market.

Bargain hunting just before the close helped the contract end above the day's low point and September closed at 2,301, down 16 on it previous close and around 10 points below its estimated fair value premium to cash of about 12. Turnover was 7,407.

Total volume in the traded options was poor reaching 22,556 contracts, of which 13,631 was in the FT-SE 100.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Aug 12 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Aug 11 Index No.	Mon Aug 10 Index No.	Fri Aug 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	700.44	....	8.41	6.41	15.21	21.23	700.58	705.43	713.04	839.09
2	Building Materials (23)	715.10	+0.3	7.62	7.83	17.83	26.43	713.03	713.41	724.12	1058.55
3	Contracting, Construction (27)	566.11	+1.7	6.19	10.58	35.18	25.20	556.45	555.74	573.29	1144.14
4	Electricals (9)	2023.99	+0.7	8.51	7.43	15.21	72.04	2009.56	2042.08	2119.11	2444.63
5	Electronics (27)	1862.63	+0.2	8.62	4.63	14.47	45.74	1858.44	1864.56	1876.76	1717.57
6	Engineering-Aerospace (6)	297.04	-1.5	12.26	8.77	10.32	11.27	301.52	301.30	304.61	421.76
7	Engineering-General (43)	428.90	+0.5	9.47	5.62	13.20	12.47	426.68	423.00	428.38	461.07
8	Metals and Metal Forming (7)	271.26	-1.4	6.16	8.12	23.78	7.18	275.13	275.98	277.69	449.11
9	Motors (14)	303.75	-0.1	8.84	7.76	14.89	12.25	304.03	307.38	310.13	350.95
10	Other Industrial Materials (19)	1527.02	-0.4	8.11	5.43	14.84	38.28	1533.21	1563.14	1572.28	1609.82
21	CONSUMER GROUP (191)	1471.25	-0.6	8.31	3.91	14.78	27.61	1480.58	1494.93	1509.22	1538.07
22	Brewers and Distillers (25)	1891.60	-1.5	8.79	3.87	13.72	37.45	1921.11	1926.64	1936.55	1885.04
25	Food Manufacturing (19)	1140.66	-0.4	9.46	4.63	13.07	26.01	1145.15	1158.36	1170.84	1206.06
26	Food Retailing (18)	2603.77	-0.5	9.36	3.50	13.92	44.92	2617.54	2639.40	2674.92	2641.96
27	Health and Household (24)	3675.22	-0.5	7.54	2.91	15.10	42.42	3691.84	3737.79	3765.49	3682.40
29	Hotels and Leisure (18)	1005.03	-1.6	7.98	6.81	16.29	36.54	1021.57	1032.17	1059.32	1348.64
30	Media (27)	1387.63	-0.6	7.29	3.80	17.08	29.47	1396.22	1413.47	1423.72	1446.34
31	Packaging, Paper & Printing (17)	706.05	-0.3	7.30	4.68	16.60	15.69	707.97	714.54	715.91	751.35
34	Stores (34)	917.39	+0.3	8.21	4.07	16.09	16.98	914.69	925.00	935.80	1000.43
35	Textiles (9)	582.95	-0.2	8.32	5.32	14.97	15.02	584.38	594.95	602.06	596.48
40	OTHER GROUPS (117)	1160.77	....	10.72	5.70	11.62	35.65	1161.30	1170.90	1184.50	1272.93
41	Business Services (17)	1186.41	-0.5	7.08	4.35	17.24	21.09	1192.49	1203.81	1214.72	1365.73
42	Chemicals (22)	1282.07	-0.8	7.61	5.67	16.32	45.57	1291.90	1301.70	1320.08	1444.88
43	Conglomerates (10)	1146.62	-1.1	10.89	8.18	11.50	24.98	1159.17	1173.87	1180.77	1491.43
44	Transport (14)	2160.26	-0.1	9.14	5.46	13.49	55.92	2162.53	2189.78	2207.10	2290.10
45	Electricity (16)	1272.06	+0.6	15.59	5.77	8.12	44.58	1265.09	1264.91	1278.78	1213.58
46	Telephone Networks (4)	1350.02	+0.4	11.20	4.89	11.64	46.15	1344.19	1351.45	1358.59	1522.89
47	Water (11)	2648.57	+1.7	16.91	6.53	6.54	86.85	2603.37	2663.89	2694.57	2409.21
48	Miscellaneous (23)	1852.07	-0.7	7.17	5.47	17.52	54.03	1865.18	1878.99	1934.34	2016.12
49	INDUSTRIAL GROUP (483)	1179.11	-0.3	9.10	4.92	13.65	29.03	1183.09	1193.45	1205.90	1282.96
51	Oil & Gas (17)	1773.55	+0.2	8.54	6.88	15.32	68.79	1770.65	1756.73	1756.72	2437.21
59	500 SHARE INDEX (500)	1236.90	-0.3	9.05	5.11	13.80	32.22	1240.45	1249.28	1261.05	1381.72
61	FINANCIAL GROUP (84)	653.32	+0.2	-	6.92	-	25.18	651.74	654.61	668.22	827.99
62	Banks (9)	878.52	+0.1	7.29	6.27	19.75	36.70	877.49	879.59	906.46	960.53
65	Insurance (Life) (6)	1339.82	+0.9	-	6.65	-	44.26	1327.75	1352.92	1368.73	1601.45
66	Insurance (Composite) (7)	441.30	+1.0	-	7.89	-	13.46	436.73	436.56	433.03	673.05
67	Insurance (Brokers) (10)	698.52	-1.4	11.10	9.30	11.85	31.02	708.69	712.88	730.36	1172.03
68	Merchant Banks (7)	404.81	-0.2	-	5.34	-	12.37	405.77	407.84	419.29	438.35
69	Property (30)	502.17	....	11.98	9.10	11.20	20.85	502.07	503.34	508.93	927.54
70	Other Financial (15)	223.10	-0.1	8.24	7.75	16.43	6.63	223.30	224.42	229.34	253.42
71	Investment Trusts (70)	1045.70	-0.4	-	4.29	-	22.04	1049.96	1058.03	1071.83	1227.53
99	ALL-SHARE INDEX (654)	1097.21	-0.2	-	5.32	-	30.07	1099.67	1107.15	1119.23	1246.95

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 11	Aug 10	Aug 7	Aug 6	Aug 5	Year ago
FT-SE 100 SHARE INDEX‡	2303.1	-6.5	2326.7	2299.3	2309.6	2325.7	2350.1	2377.6	2392.8	2608.8

FIXED INTEREST

	PRICE INDICES	Wed Aug 12	Day's change %	Tue Aug 11	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (23)	121.13	-0.02	121.15	1.82	8.08
2	5-15 years (25)	136.48	-0.19	136.74	2.00	8.55
3	Over 15 years (8)	148.00	-0.21	148.31	2.00	7.62
4	Irredeemables (6)	166.29	-0.27	166.74	2.93	7.34
5	All stocks (62)	134.22	-0.14	134.41	1.96	8.43
	Index-Linked					
6	Up to 5 years (2)	171.07	-0.03	171.13	-0.06	3.25
7	Over 5 years (10)	148.87	-0.10	149.02	0.69	3.09
8	All stocks (12)	150.75	-0.09	150.89	0.59	3.08
9	Debs & Loans (62)	119.59	-0.33	119.98	2.84	6.83

	AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 12	Tue Aug 11	Year ago (approx.)
	British Government				
1	Low	5 years	8.65	8.61	8.89
2	Coupons	15 years	8.97	8.95	9.73
3	(0%-7¾%)	20 years	8.97	8.95	9.73
4	Medium	5 years	9.52	9.49	10.08
5	Coupons	15 years	9.18	9.15	9.91
6	(8%-10¾%)	20 years	9.10	9.08	9.86
7	High	5 years	9.75	9.71	10.26
8	Coupons	15 years	9.39	9.36	10.03
9	(11%-)	20 years	9.29	9.25	9.93
10	Irredeemables		9.24	9.21	9.92
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.40	4.39	4.23
12	Inflation rate 5%	Over 5 yrs.	4.55	4.54	4.39
13	Inflation rate 10%	Up to 5 yrs	3.70	3.68	3.34
14	Inflation rate 10%	Over 5 yrs	4.38	4.37	4.21
15	Debs &	5 years	10.74	10.69	11.73
16	Loans	15 years	10.53	10.49	11.50
17		25 years	10.40	10.35	11.32

‡Opening Index 2316.0; 9 am 2316.2; 10 am 2321.7; 11 am 2322.3; Noon 2318.2; 1 pm 2316.7; 2 pm 2312.7; 2.30 pm 2312.9; 3 pm 2313.8; 4.10 pm 2299.5; (a) 10.42am (b) 4.11pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (4).
BREWERS (1) Bulmer, FOOD RETAILING (1) Kwik Save, MEDIA (1) CIA, MTL & MTL FORMING (1) Morris Ashby.
NEW LOWS (244).
AMERICANS (2) Amdahl, Honeywell, CANADIANS (1) BC Gas, BANKS (5) ANZ, Banco Bilbao Vizcaya, Deutsche, Natl Australia, Royal Bk. Scot., BREWERS (4) Burn Stewart, Fosters, Guinness, Kirin, BLDG MATLS (8) Breedon, CRH, Cakebread Robey, Hepworth, Hewetson, Heywood Williams, Meyer, RMC, BUSINESS SERVS (2) BNB, Prime People, CHEMS (8) Anglo Utd., Caird, Do 7p Pf 2009, Laporte, Perstorp, Yorkshire, CONGLOMERATES (7) Brierley, CSR, Chillington, Daimler-Benz, Fletcher Chinga., Grampian, Porter Chadburn, CONTG & CONSTRCN (16) Ashtead, Barcom, Campbell & Armstrong, Cussins, EBC, Hewden-Stuart, Howard, Kajima, Lilley, McAlpine, Mowlem, Prowting, Sindall, Try, Ward Hldgs., Westbury, ELECTRICALS (5) BICC, Mitsubishi, NEC, Neotronics Tech., TDK, ELECTRONICS (8) ACT, Alphameric, Computer People, Cray, Kewill Syst., P-E Intl., Prestwick, Trace Cmptrs., ENG GEN (7) APV, Booth, Bullough, Hall, Hopkinsons, Howden, Record, FOOD MANUF (5) Armour, Benson Crisps, Booker, RHM, Utd. Biscuits, FOOD RETAILING (1) Cullen's, HEALTH & HSEHOLD (4) Kynoch, ML Labs., Specialeyes, Wellcome, HOTELS & LEIS (5) Allied Leis., Forte, Queens Moat, Do 7pc Pf, Wembley, INSCE BROKERS (2) Sedgwick, Willis Corroon, INSCE COMPOSITE (1) Allianz, INSCE LIFE (1) Lloyds Abbey, INV TRUSTS (72) MEDIA (8) Capital Radio, Home Counties, More O'Ferrall, Sunset & Vine, TSW, Trillion, MERCHANT BANKS (2) Hambros, Warburg, MTL & MTL FORMING (3) Barrett (H), Cook (Wm), MISC (5) Lionheart, Savage, Stonehill, Waste Mngemt., Waterford Wedgwood, MOTORS (3) ABI, DAF, Vardy (Reg), OIL & GAS (5) Hardy, Kingston, North Sea Assets, Santos, Woodside, OTHER FINCL (5) King & Shaxson, Mercury Asset, Mitsubishi, Stratagem, Tyndall Australia, OTHER INDL MATLS (9) BH Prop., Expamet, Kelsey, Pacific Dunlop, Tex, Vinten, Williams, [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
13½pc 1992		100⅛		102⅛	100⅛	13.48	9.87
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		[illegible]					9.52
Conversion 10¼pc 1999		[illegible]					9.51
9pc 2000		[illegible]					9.34
Treas 13pc 2000		[illegible]					9.73
10pc 2001		[illegible]					9.42
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Index - Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	[illegible]					4.26
2pc '96	(67.9)	[illegible]					4.46
2½pc '01	(78.3)	[illegible]					4.73
2½pc '03	(78.8)	[illegible]					4.71
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	13½xd	-1/16	19⅛	14⅝	13,521	2.0
Allegheny & W.	318p	-5	330p	226p	183.3	4.9
Amdahl	665p	-3	1160p	695p	778.7	0.8
Amer Cyanamid	32	+¼	37	28⅝	2,825	2.7
Amer Express	11⅜xd	+1/16	13⅝	10[illegible]	5,481	4.6
Amer T & T	22⅝xd	+1/16	24⅞	20⅛	30,099	3.1
Ameritech	36⅝	+⅛	38[illegible]	32½	15,597	5.2
BankAmerica	23⅝xd	+¼	27⅛	19[illegible]	8,183	2.9
Bankers NY	[illegible]	+⅛	37¼	28⅞	2,888	4.1
Bell Atlantic	26¼	+¼	28¼	23⅛	10,654	5.5
BellSouth	27⅛	+¼	29⅛	25	13,268	5.3
Bethlehem Steel	8¾xd	—	9⅝	6¼	596.6	—
Bowater	1027p	—	1579p	1016p	370.3	6.1
CPC	25¼xd	+⅛	25¼	22⅛	3,834	2.5
Cadiz Land Inc	142p	—	342p	142p	—	—
California Engy	825p	—	820p	698p	114.8	—
Campbell Soup	19[illegible]xd	-1/16	23[illegible]	17⅞	4,918	2.1
Chase Manhattan	12⅝xd	+1/16	16½	9⅛	1,776	5.0
Chrysler	11⅛xd	+¼	11½	6¼	3,248	2.6
Citicorp	9¾xd	—	11⅛	5⅜	2,420	—
Colgate-Palm	27⅝xd	+⅛	29[illegible]	25⅛	4,398	2.4
Cont'l Bank	910p	-8	1000p	499p	819.6	3.5
Dana	20⅝xd	+1/16	24½	14[illegible]	833.4	4.1
Data General	489p	-31	1004p	386p	112.5	—
Decora Inds	121p	—	122p	66p	—	—
Dun & Brad	29⅞	—	33½	27⅝	6,305	4.0
Eaton	40	—	48½	32½	1,376	2.9
Echlin	9⅞xd	+⅛	11	7⅛	667.0	3.7
FPL	19⅝xd	+1/16	20	18⅛	3,501	6.5
Fluor	19[illegible]	-¼	27	19¼	1,498	1.1
Ford Motor	21⅞xd	+⅛	25⅛	15	10,378	2.4
Gen Elect	39⅛xd	+¼	46¼	38[illegible]	34,024	3.1
General Host	481p	+9	655p	380p	—	3.9
Gillette	27½xd	+1/16	29⅞	23[illegible]	6,032	1.4
Hasbro	15⅞	—	16½	12⅛	1,364	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv......f	149	-1	178	149	3.9	183.4	17.8
Warrants	23	—	38	22	–	–	–
Scot Mortgage	137	—	187	137	3.8	164.6	16.8
Scot National Inc	70½	-½	107	70½	17.3	–	–
Cap	18	+1	42	12½	–	–	–
Stepped Pf......f	140¼	—	142	126	8.8	–	–
Zero Div Pf.	187	—	187½	166½	–	–	–
Warrants	3	—	9	3	–	–	–
Scot Value......1a	68½	—	84	48	4.0	68.6	-2.3
Sec Alliance......f	1095	—	1283	1093	4.3	1245.5	12.1
Second Market......s	232	—	244	222	8.9	277.8	16.5
Sec Tst Scot	63	—	75½	63	8.8	65.3	4.2
Select Assets	81	—	102½	81	1.4	122.9	34.1
Eq Ind Serl	110	+1	123	109	5.2	–	–
Eq Ind SerII	118	+1	123	109	8.2	–	–
Shires	232	—	249	195	12.1	197.8	-2.1
11pc Cv Ln '03/04	£95½	—	£119½	£95½	11.1	–	–
Siam Select	68	—	91	68	8.5	91.6	25.8
Warrants	10	-1	21	10	–	–	–
Smaller Cos	72xd	—	86	67	4.6	81.3	11.4
Warrants	12	—	28	10	–	–	–
Somerset Tst	122	—	148	55	–	80.3	-51.9
Sphere Inc......N	11	—	28	10½	37.6	13.1	20.1
Zero Div Pf	68	+½	77¼	65¼	–	–	–
Sunrit	30	—	55	30	5.8	109.1	72.5
TR City of Lon	103xd	-1½	127½	97½	6.2	100.9	-2.1
TR Euro Growth......a	75	—	90	74	1.8	91.6	18.1
Ptg Sub......s	39	—	54	38	9.4	–	–
TR Far East Inc......M	84	—	98	78	7.0	95.8	12.3
Warrants	18	—	22	12	–	–	–
TR High Inc	96	—	118	91	8.3	93.8	-2.4
Sub......g	23	—	36	22	8.7	–	–
TR Pacific......g	78	—	99	71	8.4	88.2	13.6
TR Prop	17½	—	27	17½	11.0	27.3	36.9
TR Smaller	110xd	-2	152	110	4.5	125.2	12.2
TR Technology	21	—	37	20½	11.1	57.3	63.4
Stepped Pf	99¼	-½	102¼	89¼	7.4	–	–
Zero Pf	177	—	186½	154½	–	–	–
Temple Bar......N	227xd	—	277	227	7.8	249.7	9.1

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

Notes	Price	+ or -	1992 high
Utd News	388	-5	457
VTR	56	—	65
WPP	37	+2	118
Warrants	3	—	8½
Watmoughs	405	—	480
Yorkshire TV.	158	-5	191½

MERCHANT BANKS

Notes	Price	+ or -	1992 high
Ansbacher (H)	27	—	34
Barings 8pc Cm 2nd Pf	98	—	108
9¼pc Non-Cum Pf	119½	—	125
Brown Shipley	53	—	204
Close Bros......f	218	—	287
Hambros	214	-3	282
7½pc Cv Pf	107	+1	118
Joseph (L)	318xd	—	333
Kleinwort Benson	226xd	+6	324
Rea Bros	25	—	37
Schroders	1150	-20	1365
N/V	980	-25	1155
Singer & Fried	35	—	88
Warburg (SG)	427	+2	505
6pc Cv Pf	147	—	204
Wintrust	218	—	253

METALS & METAL FORMING

Notes	Price	+ or -	1992 high
ASW	75	-1	195
Apollo Metals	109	—	147
Ash & Lacy	141	—	188
Barrett (H)......f	13	-4	40
Billam (J)	109	—	144
Brit Steel	34½	-1½	86

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

§ Figures or report awaited. ‡ Earnings based on preliminary figures. ⁂ Dividend yield excludes a special payment. ‡ Indicated dividend yield, p/e ratio based on latest annual earnings. ¤ Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1992. N Yield based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. *This charge is included in the price of units.*

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the *FT Managed Funds Service.*

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh				031-226 3271		
American ♥	5	249 4	249 4	265 3	+0 1	0 89
(Accum Units) ♥	5	293 9	293 5	312 3	+0.2	0 89
British	5	733 4	750 2	793 7	+1 7	6 78
(Accum Units)	5	1279 9	1258 1	1331 0	+2 8	6 78
European	5	338 0	328 0	349 2	-1 4	1 40
(Accum Units)	5	355 6	355 6	378 5	-1 6	1 40
Japan	5	76 02	76 02	80 83	-0 67	–
(Accum Units)	5	76 63	76 63	81 48	-0 67	–
New Pacific	5	194 0	194.5	207 1	-0 6	1 72
(Accum Units)	5	201 6	202 1	215 2	-0 6	1 72
Investment Tst Aug 12	5	125 9	128 9	136 6	-3 6	2 90
Mngd Equity	5	115 7	117 1	123 9	+0 3	2 19
Mngd Equity Acc	5	125 2	126 7	134 1	+0 4	2 19
Mngd Cash	0	96 15	96 15	96 15		9 41
(Accum Units)	0	122 9	122 9	122 9		9 41
Majority Stlg	1	100 27	100 27	101 28	+0 02	9 33
Majority Stlg Acc	1	113 10	113 10	114 24	+0 02	9 33
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd Hutton, Brentwood, Essex						
Enquiries 0277 227300				Dealing 0277 261010		
International Jul 31	0	47 67	47 67	48 07		11 54
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham				0403 232323		
Equity	6	559 3	566 2	605 6	+2.2	3 44
North America	6	74 78	74 78	79 98	+0 34	0.79
Far East	6	74 63	74 63	79 82	-0 51	0.99
W'wide Bond	6	47 70	47 70	50 74	+0 09	6 13
European	6	62 85	62 85	67 22	+0 04	2 58
Equity Income	6	61 74	61 74	66 03	+0 25	5 68
Portfolio	6	52 64	52 64	56 30	+0 09	2 03
UK Leading Cos.	6	40 21	40 70	43 38	+0 22	3 47
Trading Trusts						
Intnl Equity	6	40 64	41.13	43 99	-0 44	3 10
Sun Life of Canada Unit Mgrs Ltd (1000)H						

INSURANCES

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

Stewart Ivory & Co Ltd

Allied Dunbar Assurance Plc

Century Life Plc – Contd.

Citibank Life

City of Westminster Assurance

Clerical Medical Investments Group

Colonial Mutual Group

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Equitable Life Assurance Society

Equity & Law

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

General Portfolio Life Insce Plc

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Life

London & Manchester Assurance

M & G Life and M & G Pensions

Manulife Group

MGM Assurance

Mercury Life Assurance Co Ltd

National Mutual Life

National Provident Institution

NEL Britannia Assce Co Ltd – Contd.

NEL Pensions Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

Norwich Union Asset Management Ltd

Norwich Union Pensions Management Ltd

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135.9	143.0	..	−
Property Acc. (Gross)	258.9	272.5		−
Equity (Gross)	800.6	842.8	+2.4	−
Managed (Gross)	571.8	601.8	+0.3	−
Property Acc. (Net)	123.7	130.2		−
Equity (Net)	187.3	197.1	+0.5	−
Adventurous Managed	86.8	91.3	−0.4	−
Managed (Net)	176.8	186.2	+0.1	−
Cautious Managed	95.6	100.6	−0.2	−
International (Net)	149.0	156.9	−0.4	−
Gilt & Fixed Interest	141.1	148.6	+0.1	−
Money Fund	140.9	148.4	+0.1	−
Mixed Fund (Cap)	111.5	117.4		−
Mixed Fund (Acc)	116.2	122.4		−
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	615.3	647.7	+1.3	−
Ret Man (Series 2)	208.7	219.7	+0.5	−
Ret Cash	199.3	209.8	+0.1	−
Pens Mixed Fd (Cap)	123.0	129.5		−
Pens Mixed Fd (Acc)	128.1	134.9		−
Pens Stlg Fd (Cap)	104.2	109.7		−
Pens Stlg Fd (Acc)	108.6	114.4		−

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37–39 Perrymount Road, Haywards Heath 0444 458721				
American	122.0	129.0		−
Building Soc. Fd.	224.0	236.0		−
Balanced	251.0	265.0	−1.0	−
European	197.0	208.0	−2.0	−
GT Managed	173.0	183.0		−
Cartmore Mngd.	115.0	122.0	−2.0	−
German	124.0	131.0		−
Gilt	167.0	176.0	−1.0	−
Global	36.0	38.0		−
International Equity	179.0	189.0	−1.0	−
Japan	132.0	139.0	−1.0	−
Lintere	48.0	51.0		−
Managed	40.0	43.0		−
Property	300.0	316.0		−
UK Equity	228.0	240.0	−2.0	−
Pension Funds				
American	237.0	250.0		−
Building Soc. Fd.	241.0	254.0		−
Balanced	210.0	222.0	−1.0	−
European	217.0	229.0	−2.0	−
German	123.0	130.0		−
Gilt	160.0	169.0		−
Global	34.0	36.0		−
International Equity	164.0	173.0		−

	Bid Price	Offer Price	+ or −	Yield Gross
Provident Mutual Life Assc. Assn.—Contd.				
Pension Funds				
Managed Ord	433.8	456.6	+2.2	−
Managed Init.	315.3	331.9	+1.6	−
Equity Ord.	654.4	688.8	+6.6	−
Equity Init.	475.7	500.7	+4.8	−
Pen Ind Lkd Gilt Ord.	185.5	195.3	+0.2	−
Pen Ind Lkd Gilt Init.	140.8	148.2	+0.2	−
Overseas Equity Ord.	271.4	285.7	−0.8	−
Overseas Equity Init.	197.3	207.7	−0.6	−
Property Ord.	281.3	296.1	+0.1	−
Property Init.	204.4	215.2		−
Fixed Interest Ord.	291.2	306.5		−
Fixed Interest Init.	211.6	222.7		−
Deposit Ord.	271.6	285.9		−
Deposit Init.	197.4	207.8		−
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Aug 5	239.5	244.5	−7.0	−
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Aug 5	£176.64	182.30		−
Equity Aug 5	£201.72	208.63		−
International Aug 5	£25.15	25.84		−
Intl Bond Aug 5	£14.18	14.37		−
Fixed Int Aug 5	£105.13	106.33		−
Index Linked Aug 5	£75.13	76.09		−
Property Aug 5	£110.04	116.10		−
Cash Aug 5	£31.1012	31.1012		−
Pre-Linked Retirement Plan				
Managed Aug 11	412.5	429.7	−14.0	−
Cash Aug 11	286.0	297.9	+0.6	−
Prudential Pension Investment Account				
Pens Mngd Aug 13	165.8	178.2	+0.5	−
Pens UK Eq Aug 13	288.1	310.5	+1.5	−
Pens Intl Aug 13	180.7	193.7	−0.4	−
Pens Global Eqty Aug 13	91.3	96.2	+0.3	−
Pens Fixed Aug 13	239.8	253.1	+0.2	−
Pens Index Lk Aug 13	192.9	203.7	+0.7	−
Pens Property Aug 13	89.9	94.7		−
Pens Cash Aug 13	186.4	196.5		−
Money Purchase Plan				
Discretionary Aug 12	91.7	98.4	−0.5	−
Equity Aug 12	94.3	101.4	−0.7	−
International Aug 12	79.3	84.7	−0.2	−
Global Equity Aug 12	89.6	96.2	−0.5	−
Intl Bond Aug 12	95.8	100.8	+0.2	−
Fixed Interest Aug 12	111.4	117.1	−0.1	−
Index Linked Aug 12	102.0	107.3	+0.2	−
Property Aug 12	99.5	109.0		−

	Bid Price	Offer Price	+ or −	Yield Gross
Royal Life Intl. Ltd—Contd.				
Royal Life Far East Fd.	£0.746	0.805	+0.009	−
Ryl Life Intl Grth Fd.	£0.774	0.833	+0.004	−
Royal Life Intl Prop.	£1.671	1.797	−0.154	−
Analysis APM O/S Fd.	£1.342	1.444	−0.026	−
Analysis Bal Inv Port.	£1.028		−0.016	−
AS & Co Offshore Bal F	£0.931	1.002	+0.004	−
Lacomp Intl Fd.	£1.416	1.458	−0.014	−
Young & Co Int Port.	$0.977	1.051	−0.006	−
YRA Growth Fd	£1.001	1.077	−0.006	−
YRA $ Growth Fd.	$0.881	0.948		−
YRA Special Opps.	£0.798	0.859	−0.016	−
S.A.M. 1	$1.505	1.585	+0.003	−
S.A.M. 2	$1.387	1.460	−0.006	−

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Fidelity Money Funds—Contd.						
Lire Accum		L−	16277		+20	15.3
Lire Dist		L−	15075xd		+18	15.3
NZ$ Accum		NZ$−	31.236		[illegible]	5.00
NZ$ Dist		NZ$−	30.049xd		[illegible]	5.00
SPta Accum		Pta−	1909.7		+1.8	12.2
SPta Dist		Pta−	1807.0xd		+1.8	12.2
£ Accum		£−	10.677		[illegible]	9.30
£ Dist		£−	10.050xd		[illegible]	9.30
SFr Accum		SFr−	26.318		[illegible]	7.50
SFr Dist		SFr−	25.059xd		[illegible]	7.50
US$ Accum		$−	20.445		[illegible]	2.50
US$ Dist		$−	20.017xd		[illegible]	2.50
Yen Accum		Y−	2575.6		+0.7	[illegible]

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Sarasin Funds Mngmt (Guernsey) Ltd						
PO Box 246, St Peter Port, Guernsey 0481 723021						
Eurosar £ r(20-1)	5	£−	20.39	21.76		−
(Accum Units) r(20-1)	5	£−	20.51	21.89		−
Eurosar SFr r(20-1)	5	SFr−	51.59	55.07		−
(Accum Units) r(20-1)	5	SFr−	51.90	55.40		−
GlobalSar-Forex £	5	£−	13.72	14.57		−
(Accum Units)	5	£−	14.26	15.15		−
GlobalSar-Forex US$	5	$−	26.30	27.93		−
(Accum Units)	5	$−	27.34	29.04		−
GlobalSar-Forex SFr	5	SFr−	34.72	36.87		−
(Accum Units)	5	SFr−	36.10	38.33		−
Schroder Investment Mngmt (Guernsey) Ltd						
PO Box 256, St Peter Port, Guernsey 0481 710651						

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IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

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JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Eureca Management S.A.				
Eureco Fd NAV Aug 6.	Ecu24.18			-
Europe Plus Investissement (SICAV) (u)				
NAV Aug 7	Ecu159 30		-0 34	-
Europe Value Fund (u)				
NAV	$9 91		-0 16	-
EurOptec (u)				
European Protection	Ecu93 98	99 46		-
Fidelity Intl Inv Mngt (Luxembourg) SA				
Conv Sec Portfolio	$8 46	8.88	-0 05	1 87
New Europe Fd.	$10 30	10 82	-0 09	0 48
Fidelity Investment (CI) Ltd				
Blned Port—Hedged	$12 69	13 32	-0 02	0 78
Blned Port—Unhedged	$11 95	12 55	-0 02	0 83
Discovery	$18 08	18 98	-0 16	0 27
Far East	$46 55	48 88	-1 16	0 15
Frontier	$31 75	33 34	-0 05	0 31
Global Industries	$14 93	15 68	-0 12	-
Global Selection	$12 10	12 71	-0 11	-
International	$14 66	15 39	-0 17	0 34
Orient	$74 24	77 95	-1 75	-
Special Growth	$22 83	23 97	-0 54	0 21
World	$83 14	87 30	-0 33	0 28
The First Korea Smaller Companies Fund				
NAV Jun 30	$9 57		-0 64	-
Five Arrows Intl Bond Fund (u)				
Rothschild Asset Management (CI)				
NAV per share	$13 51		-0 01	-
Fleming Group				
Fleming Fund Management (Lux)				
Balanced Fund	$25 10		[illegible]	-
Japan Warrant NAV	$1 53		-0 08	-
European Wrnt NAV	$4 84		-0 04	-
FF Portfolio	$10 12	10 66	-0 07	-
Gartmore Luxembourg S.A.				
Worldwide Growth	7.35	7 72	-0 04	-
Phoenix Fd	$14 30		-0 13	-
H.C.M. HYPO Capital Mgt Luxembourg SA				
H C M Lux Interbond	DM59 52	62 31		-
H C M DM—Rent	DM65 06	66 69		-
H C M DM—Kurz	[illegible]	[illegible]		-
H C M Eco Tech	DM96 22	101 03		-
H C M New Europe	DM80 08	84 08		-
H C M Umwelt fonds	DM94 84	99 58		-
H C M DM—Cash Plus	DM1095 75	1100 23		-
H C M Euro—Cash	Ecu527 34	529 98		-
H C M Dollar—Cash	$507 03	509 57		-
H.C.M. New Horizon	DM88 21	93 50		-
H C M. Euro-Bond	Ecu101.76	104 81		-
H C M Dollar—Bond	$104 01	107 13		-
H C M DM-Garantie	DM101.96	102 98		-
Intermarket Multicurrency Fund				
Classe A	FFr-			-
Classe B	£-			-
Classe C	Y-			-
International Bond Trust				
CDIC A NAV	$11 73		-0 01	-
International Speciality Fund (u)				

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Traders shrug off intervention

THE US DOLLAR slid towards DM1.4600 against the D-Mark yesterday, despite Tuesday's extensive intervention by major central banks in support of the currency, *writes James Blitz.*

In afternoon US trading, the dollar was at DM1.4630, only 20 points above the level at which central banks had intervened on its behalf 30 hours earlier. Tuesday's intervention looks increasingly as though it was ill-timed. Some analysts also believe that the fundamental factors undermining the dollar are so great that intervention may be abandoned altogether. Mr Neil MacKinnon, chief economist at Yamaichi International in London, says: "Given the sluggish nature of the recovery, the US authorities may be tempted to forget intervention and let the market take the dollar down itself."

Indicators suggesting that the differential between US and German interest rates will widen further, making it too expensive for dealers to be long of dollars, dragged the US currency down. The prospect of another cut in US interest rates was sharpened by poor housing completion figures, which dropped 3.2 per cent in June, after rising 12.8 per cent the previous month. July's US producer price figures showed the absence of any inflationary pressures, rising only 0.1 per cent. Tuesday's comment from Mr Nicholas Brady, the US Treasury Secretary, that another interest rate cut cannot be ruled out, hung over the market.

Conversely, the Bundesbank dangled the prospect of another Lombard rate rise by draining a large amount of liquidity from the German money market. By withdrawing DM2.4bn in its weekly security repurchase agreement, the Bundesbank kept call money just below the Lombard rate level of 9.75 per cent. Dealers still cannot rule out a German rate hike after France votes in its referendum on Maastricht in September.

Dollar weakness dragged sterling down ¼ a pfennig against the D-Mark to finish at DM2.8225 at the London close. Rumours of Mr Norman Lamont's resignation as Chancellor helped push the currency down, but they later proved unfounded. The lira continued to make the recent cut in Italian interest rates look ill-judged as it dropped to L758.0 against the D-Mark from a previous close of L756.3.

The market's interest was otherwise focused on the Australian dollar, which sank towards the US$0.71 level against the US currency despite more intervention from the Reserve Bank of Australia. The RBA again bought the "Aussie dollar" at US$0.7180 yesterday, but the currency was quoted at US$0.7150 in London at 1215 GMT. Fears of a cut in Australian interest rates are driving the currency down.

£ IN NEW YORK

Aug.12	Close	Previous Close
£ Spot	1.9300-1.9310	1.9270-1.9280
1 month	1.08-1.05pm	1.11-1.09pm
3 months	3.22-3.19pm	3.24-3.21pm
12 months	11.8-11.7pm	11.7-11.6pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.12	Previous
8.30 am	92.1	92.1
9.00 am	92.1	92.1
10.00 am	92.1	92.2
11.00 am	92.1	92.2
Noon	92.1	92.2
1.00 pm	92.1	92.2
2.00 pm	92.1	92.0
3.00 pm	92.1	92.1
4.00 pm	92.0	92.1

CURRENCY MOVEMENTS

Aug 12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.0	-20.0
U.S Dollar	60.3	-18.4
Canadian Dollar	98.5	-2.4
Austrian Schilling	111.5	+13.1
Belgian Franc	113.4	-0.8
Danish Krone	111.7	+5.3
D-Mark	121.7	+27.2
Swiss Franc	109.4	+17.2
Dutch Guilder	116.6	+17.6
French Franc	106.2	-10.8
Lira	100.3	-19.2
Yen	136.2	+72.1
Peseta	108.5	-17.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug.11

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £121.90 $63.40

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	174.093	-2.60	6.18	42
Spanish Peseta	133.631	130.204	-2.56	6.14	43
Belgian Franc	42.4032	41.9704	-1.02	4.48	33
D-Mark	2.05586	2.03724	-0.91	4.36	36
Dutch Guilder	2.31643	2.29693	-0.84	4.30	25
Irish Punt	0.767417	0.766974	-0.06	3.48	-13
Danish Krone	7.84195	7.84917	0.09	3.32	-20
French Franc	6.89509	6.90286	0.11	3.30	-25
Italian Lira	1538.24	1542.80	0.30	3.11	-31
Sterling	0.696904	0.720727	3.42	0.00	-67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9220 - 1.9285	1.9275 - 1.9285	1.08-1.06cpm	6.66	3.31-3.28pm	6.84
Canada	2.2905 - 2.2975	2.2965 - 2.2975	0.96-0.90cpm	4.86	3.05-2.97pm	5.24
Netherlands	3.1775 - 3.1925	3.1775 - 3.1875	⅛cpm-par	0.24	⅜-⅛pm	0.31
Belgium	58.10 - 58.30	58.10 - 58.20	4-1cpm	0.52	9-4pm	0.45
Denmark	10.8650 - 10.9050	10.8700 - 10.8800	¾-1⅞oredis	-1.38	2-4⅛dis	-1.13
Ireland	1.0610 - 1.0645	1.0620 - 1.0630	0.07-0.04pm	0.62	0.16-0.08pm	0.45
Germany	2.8175 - 2.8325	2.8200 - 2.8250	⅛-parpfpm	0.27	⅜-⅛pm	0.27
Portugal	240.90 - 241.80	241.25 - 241.75	56-173cdis	-5.69	152-345dis	-4.12
Spain	180.15 - 181.00	180.15 - 180.45	52-57cdis	-3.63	151-161dis	-3.46
Italy	2135.50 - 2142.50	2138.25 - 2139.25	8-10liredis	-5.05	23-25dis	-4.49
Norway	11.1150 - 11.1475	11.1300 - 11.1400	par-⅛oredis	-0.20	⅛-1⅛dis	-0.27
France	9.5625 - 9.5900	9.5625 - 9.5725	par-¼cdis	-0.16	⅛-⅝dis	-0.16
Sweden	10.2550 - 10.2875	10.2575 - 10.2675	1⅞-2⅝oredis	-2.27	5⅛-6⅛dis	-2.27
Japan	245.50 - 246.75	245.75 - 246.75	1⅛-1⅛ypm	5.79	4-3⅞pm	6.29
Austria	19.81 - 19.92	19.84 - 19.87	⅝-⅛gropm	0.34	2⅞-⅛pm	0.37
Switzerland	2.5400 - 2.5525	2.5400 - 2.5500	⅜-⅛cpm	1.47	1⅛-1pm	1.77
Ecu	1.3855 - 1.3895	1.3855 - 1.3865	0.10-0.14cpm	1.04	0.23-0.29dis	-0.75

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.41-6.36pm . 12 Month 11.82-11.72pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9220 - 1.9285	1.9275 - 1.9285	1.08-1.06cpm	6.66	3.31-3.28pm	6.84
Ireland†	1.8050 - 1.8135	1.8120 - 1.8130	1.15-1.12cpm	7.51	3.40-3.33pm	7.43
Canada	1.1835 - 1.1955	1.1905 - 1.1915	0.17-0.19cdis	-1.81	0.47-0.50dis	-1.63
Netherlands	1.6495 - 1.6595	1.6505 - 1.6515	0.90-0.93cdis	-6.65	2.74-2.79dis	-6.70
Belgium	30.10 - 30.30	30.10 - 30.20	15.00-17.00cdis	-6.37	47.00-51.00dis	-6.50
Denmark	5.6350 - 5.6700	5.6375 - 5.6425	3.77-4.07oredis	-8.34	11.25-11.85dis	-8.19
Germany	1.4620 - 1.4720	1.4635 - 1.4645	0.81-0.82pfdis	-6.68	2.45-2.47dis	-6.72
Portugal	125.20 - 125.65	125.25 - 125.35	126-133cdis	-12.40	365-380dis	-11.89
Spain	93.60 - 94.00	93.60 - 93.70	80-83cdis	-10.44	245-260dis	-10.78
Italy	1108.50 - 1113.75	1109.00 - 1109.50	10.50-11.50liredis	-11.90	31.50-33.50dis	-11.72
Norway	5.7700 - 5.7950	5.7725 - 5.7775	3.48-3.78oredis	-7.54	10.65-11.15dis	-7.55
France	4.9525 - 4.9850	4.9600 - 4.9650	2.86-2.91cdis	-6.98	8.86-8.96dis	-7.18
Sweden	5.3175 - 5.3500	5.3200 - 5.3250	3.90-4.15oredis	-9.07	12.15-12.60dis	-9.30
Japan	127.40 - 127.90	127.65 - 127.75	0.07-0.08ydis	-0.70	0.16-0.18dis	-0.53
Austria	10.3200 - 10.3600	10.3200 - 10.3250	5.50-5.85grodis	-6.60	16.55-17.55dis	-6.61
Switzerland	1.3180 - 1.3265	1.3200 - 1.3210	0.53-0.56cdis	-4.95	1.70-1.75dis	-5.23
Ecu	1.3835 - 1.3920	1.3905 - 1.3915	0.90-0.88cpm	7.68	2.65-2.62pm	7.58

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
103	-	-	-	0.04	0.60	-
104	-	-	-	0.12	0.85	-
105	0.58	-	-	0.32	1.19	1.25
106	0.15	1.22	1.73	0.90	1.64	-
107	0.03	0.61	1.30	-	2.17	-
Open int.	155,854	260,050	20,100	120,853	98,774	9,776

Estimated volume 63,018 † Total Open Interest 644,359
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9280	1.9173	1.8951	1.8642	1.8103

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Affected by rumours

STERLING futures dipped yesterday afternoon as the pound slid against the D-Mark on the foreign exchanges and rumours swept financial markets that Mr Norman Lamont, the UK Chancellor, had resigned.

The September short sterling contract dipped 7 basis points to a low of 89.64 as the pound lost over ½ a pfennig on the foreign exchanges in the afternoon. UK officials said that the rumours of the Chancellor's resignation were totally unfounded and this helped to stabilise the price. But sterling failed to recover and closed down ¼ a pfennig from its previous close at DM2.8225. The September contract therefore closed down 5 basis points from its previous finish, at 89.65, and the December contract down was down 6 basis points at 89.74. Both prices assume that a cut in UK base rates is still a long way off.

Trade in sterling cash was thin. The Bank of England forecast another small shortage of £350m and, once again, the market found this difficult to remove because each discount house waited for the next one to offer bills to the Bank. The stickiness forced the overnight rate up to a peak of 11 per cent but later dropped back to close at 9¾ per cent. Most period rates closed unchanged. Three-month interbank again closed at 10¼ per cent on the offered side, and 1-year money closed at 10¾ per cent.

After forecasting its shortage, the Bank did not operate in the morning. The forecast was later revised down to £300m. In the afternoon, the Bank purchased £10m in Band 1 bank bills at 9¾ per cent. It provided late assistance of around £215m.

The Bundesbank's decision to drain a large amount of liquidity from the the German money market added to the bearish sentiment. The Bundesbank withdrew DM2.4bn from the money market in this week's round of security repurchase agreements, and this kept call money rates pinned to the central bank's emergency Lombard rate of 9.75 per cent.

Traders had expected the German central bank to replace the DM35.2bn expiring this week in repos or perhaps add DM1bn to DM2bn because of the tightness in the money market and upcoming tax deadlines. But this did not happen.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.12) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅛	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	3.01	Three year	4.72
Broker loan rate	5¼	Two month	3.08	Five year	5.54
Fed.funds	3¼	Three month	3.19	Seven year	6.01
Fed.funds at intervention	-	Six month	3.30	10-year	6.53
		One year	3.43	30-year	7.33
		Two year	4.17		

Aug 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.70-9.75	9.70-9.80	9.70-9.80	9.75-9.85	9.75-9.85	9.75
Paris	9¾-9⅞	9[illegible]-10[illegible]	10[illegible]-10[illegible]	10⅛-10⅛	10[illegible]-10[illegible]	9.60
Zurich	7⅛-7⅞	7⅞-8⅛	-	8⅛-8⅞	-	-
Amsterdam	9.68-9.75	9.58-9.66	-	9.58-9.66	-	-
Tokyo	4[illegible]-4[illegible]	4[illegible]-4⅛	-	-	-	-
Milan	14⅝-14⅞	15[illegible]-15[illegible]	-	14⅞-15	-	-
Brussels	9⅞-9⅞	9[illegible]-9[illegible]	-	9⅞-9⅞	-	-
Dublin	10[illegible]-10[illegible]	10[illegible]-10⅛	10[illegible]-10⅛	10[illegible]-10⅛	10[illegible]-10⅛	-

LONDON MONEY RATES

MONEY MARKET FUNDS

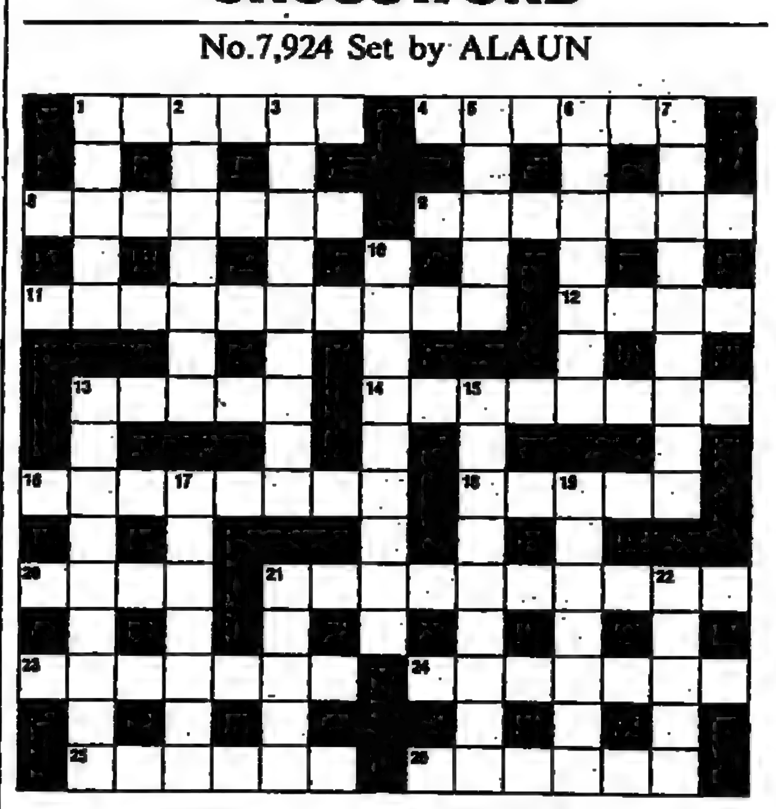
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,924 Set by ALAUN



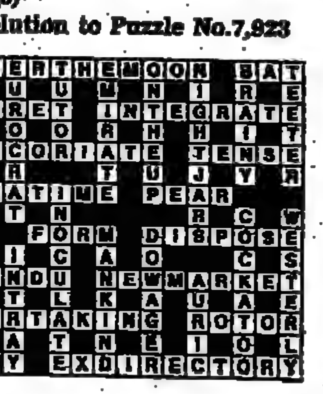
ACROSS

1 Mean it's not caught in a river (6)
4 Was chief of police in rank (6)
8 Even getting the accommodation number (7)
9 Boards with a member of the family (7)
11 The marmalade in the can? (3,7)
12 Stood the wine (4)
13 They draw from banks (5)
14 Fight after fight after fight to get close to the stage (5,3)
16 Remove the blindfold and I'll consider it (3,2,3)
18 There's land ahead. Get the gangway (5)
20 Handed down to, didn't take (4)
21 A cooler room (6,4)
23 Storm damaged? Bother! (7)
24 Echo so in the underground (7)
25 Cross with one this time (6)
26 Kept to the left after the bend (6)

DOWN

1 She was indisposed to return (5)
2 What a celebrity gets for not tipping the maitre d'hotel? (7)
3 Wonders about how the moon comes up (9)
5 A move up (5)
6 Danced about with the muleta: annoying to the bull (7)
7 Discards the ice-cream to get something from the tea table (4,5)
10 Fitted neatly: tiles don't work loose (7,2)
13 So long! (9)
15 "Man" I change to "men", rewriting quickly (2,1,6)
17 The day's play (7)
19 Support for a shoot, say, in the garden (7)
21 Home again with father (5)
22 Dressed, is rather old-looking (5)

Solution to Puzzle No.7,923



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Aug 12	Aug 11	Aug 10	Aug 7	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3320.83	3331 10	3337 58	3332 18	3413 21 (1/6)	3172 41 (2/1)	3413 21 (1/6/92)	41 22 (2/7/32)
Home Bonds	102.38	102.40	102.28	102.14	102 40 (11/8)	98 41 (20/3)	102 40 (11/8/92)	54 99 (1/10/81)
Transport	1249 62	1265.33	1273.19	1277 40	1467 68 (20/2)	1249 62 (12/8)	1532 01 (5/9/89)	12 32 (8/7/32)
Utilities	219 45	219 95	220 46	221 08	225 59 (3/1)	200 74 (8/4)	236 23 (2/1/90)	10 50 (8/4/32)

♦Day's High 3349 74 (3356 50) Low 3304 89 (3304 35)

STANDARD AND POOR'S

	Aug 12	Aug 11	Aug 10	Aug 7	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.78	418 90	419.42	418.88	425 09 (3/8)	394 50 (8/4)	425 09 (3/8/92)	4 40 (1/6/32)
Industrials	490.33	491 97	492 81	491.63	499 51 (3/8)	470 91 (8/4)	499 51 (3/8/92)	3 62 (21/6/32)
Financial	36 27	36 23	36 16	36 36	36 66 (3/8)	32 40 (8/4)	36 66 (3/8/92)	8 64 (1/10/74)
NYSE Composite	229 99	230 61	230.86	230 79	233 66 (3/8)	217 92 (8/4)	233 66 (3/8/92)	4 46 (25/4/42)
Amex Mkt. Value	386.46	388.08	388.41	390 13	418 99 (12/2)	374 04 (26/6)	418 99 (12/2/92)	29 31 (9/12/72)
NASDAQ Composite	570.85	571 60	573 14	573 74	644 92 (12/2)	547 84 (26/6)	644 92 (12/2/92)	54 87 (31/10/72)

	Aug 7	Jul 31	Jul 24	year ago (approx.)
Dow Industrial Div. Yield	3.12	3 07	3 17	3 08
	Aug 5	Jul 29	Jul 22	year ago (approx.)
S & P Industrial div. yield	2.59	2 59	2 68	2 68
S & P Indl. P/E ratio	29.34	29.31	28 50	19 62

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Limited	2,654,700	20⅛	
Telefonos	2,173,500	47	- ⅛
RJ Nabisco	2,121,700	9	- ⅛
Gap	1,948,000	31⅛	- 1¼
US Surgical	1,837,700	69¼	- 4¼
Syntex	1,821,500	30⅞	+ 1
Federated DS	1,556,700	14	+ ⅛
Navistar	1,445,700	2	....
IBM	1,429,800	88½	+ ½
AMR Corp	1,398,200	58½	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	Aug 12	Aug 11	Aug 10
New York SE	176 440	175 810	142 440
Amex	10 232	8 371	8 303
NASDAQ	(u)	145 136	120 453
NYSE			
Issues Traded	2,323	2 335	2,332
Rises	791	787	802
Falls	913	936	933
Unchanged	619	612	597
New Highs	95	84	65
New Lows	40	30	38

CANADA

TORONTO	Aug 12	Aug 11	Aug 10	Aug 7	1992 HIGH	1992 LOW
Metals & Minerals	2948.27	3000.32	3009.25	3021.60	3238 87 (16/1)	2828 26 (8/4)
Composite	3377.80	3404.70	3408.80	3406.30	3666 00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1769 15	1787 38	1785.05	1784 78	1937 59 (16/1)	1727.04 (8/4)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation (c) Closed (u) Unavailable.

	Aug 12	Aug 11	Aug 10	Aug 7	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1570.7	1587 6	1592.3	1586.7	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	686 0	697 0	700 4	696.2	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	292 78	291.70	299 08	305.97	458 57 (24/2)	291.70 (11/8)
Traded Index (2/1/91)	686.92	683.45	699 73	719 28	1099.43 (24/2)	683.45 (11/8)
BELGIUM						
BEL20 (1/1/91)	1092.47	1114 76	1125.42	1133 28	1235 40 (2/6)	1092 47 (12/8)
DENMARK						
Copenhagen SE (3/1/83)	298.20	299.32	302.39	305 40	365.29 (15/1)	298.20 (12/8)
FINLAND						
HEX General (28/12/90)	670 3	668 9	675.3	682.5	935.90 (24/2)	668 90 (11/8)
FRANCE						
CAC General (31/12/82)	477 94	479 41	482 98	486 96	555 93 (12/5)	475 53 (2/1)
CAC 40 (31/12/87)	1730 05	1737 80	1755.22	1777 27	2077 49 (11/5)	1727 49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	613 60	614 07	628 09	635 66	725.26 (26/5)	613 60 (12/8)
Commerzbank (1/12/53)	1734.0	1735 4	1775 7	1798.6	2043 80 (25/5)	1734.00 (12/8)
DAX (30/12/87)	1553.01	1564.60	1582 55	1609.5	1811.57 (25/5)	1553.01 (12/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5879 19	5886 75	5867 94	5850 93	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1230.25	1236.34	1240 74	1258.25	1469.57 (17/1)	1230 25 (12/8)
ITALY						
Banca Com. Ital (1972)	401.15	401.49	406 76	416.89	551.59 (6/2)	397.73 (30/7)
MIB General (2/1/92)	789.0	789.0	799 0	821.0	1086.00 (5/2)	779 00 (30/7)
JAPAN						
Nikkei (16/5/49)	14733 79	14822.56	15066.34	15518.27	23801.18 (6/1)	14733.79 (12/8)
Tokyo SE (Topix) (4/1/68)	1114 02	1126 80	1148.56	1181.23	1763 43 (6/1)	1114 02 (12/8)
2nd Section (4/1/68)	1551.82	1588 49	1612.76	1649.25	2459.85 (6/1)	1551.82 (12/8)
MALAYSIA						
KLSE Composite (4/4/86)	594.57	597.80	595.16	597.11	619 06 (20/2)	546 63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	285.3	285.3	285 4	288.4	314 90 (9/6)	274 00 (8/1)
CBS All Shr (End 1983)	194 9	194 9	195 0	197.0	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	616.46	618 99	622.57	637 48	772.74 (18/5)	616.46 (12/8)
PHILIPPINES						
Manila Comp (2/1/85)	1471.25	1445 67	1445 65	1462 76	1580.95 (11/6)	1083 01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	368 19	375.51	(c)	381.51	416 99 (23/1)	368.19 (12/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	979 04	994.	1004.0	1003 0	1327.00 (21/1)	979.00 (12/8)
JSE Industrial (28/9/78)	4099 04	4159.0	4167 0	4191 0	4689 00 (4/6)	4049.00 (12/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	492.66	502.45	507 88	495 22	691 48 (8/2)	492.66 (12/8)
SPAIN						
Madrid SE (30/12/85)	205 76	209.57	213 86	215.71	266.51 (28/2)	205.76 (12/8)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	815 9	827 8	834.4	850.9	1014.50 (11/5)	815 90 (12/8)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	837.5	840 6	838.5	842.9	883 40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	628.0	631.2	631.5	634.8	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	3901 61	3958.28	3951.73	4082.90	5391 63 (30/1)	3901.61 (12/8)
THAILAND						
Bangok SET (30/4/75)	(c)	754.84	755.45	764.43	832.39 (7/4)	667 84 (19/5)
WORLD						
M.S. Capital Ind (1/1/70) (S)	480 3*	480.8	484.2	488.8	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	820.94	827.34	836.08	847.11	976.55 (25/5)	820 94 (12/8)

**Saturday August 8. Taiwan Weighted Price 4030 79, Korea Comp Ex. 494.35
‡ Subject to official recalculation. *Calculated at 15 00 GMT.
Base values of all indices are 100 except. Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255 7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500, (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 12 August 1992

	Stocks Traded	Closing Prices	Change on day
Okamoto Inds	6.5m	810	-15
Meiji Milk	4 5m	740	+ 11
Mochida Pharm	3.9m	2,220	-40
Nippon Steel	3 4m	249	-3
Nomura Sec	2.1m	1,200	-20
Hitachi	2.0m	731	-1
Mitsubishi Hvy	1.7m	491	+ 5
Toshiba Corp	1.7m	562	-19
Matsushita E.	1 6m	1,120	-60
Hitachi Zosen	1 6m	398	-28

4:00 pm prices August 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11⅞	AAR Corp	0.48	3.8	20	238	12⅞	12⅝	12⅝	-⅛
26	18	A L Labs A	0.18	0.9	70	47	20	19¾	19¾	-¼
68¼	52⅝	AMP Inc	1.52	2.8	21	1234	55¼	54¼	54⅞	-½
80¾	68⅞	AMR			21	1254	60¼	d58⅛	58⅞	-1¼
2⅞	1⅜	ARX			2	4	1⅝	1⅝	1⅝	
59½	36¼	ASA	2.25	5.9	26	619	38¼	d37⅝	37⅞	-⅞
34¼	26⅛	Abbott Lab	0.60	2.0	21	5034	30¾	30¼	30⅝	-¼
13⅞	12	Abitibi Pr	0.50	3.8	7	12	13¼	13	13	-¼
11⅞	10⅜	ACM Gvt In	1.08	9.7		247	11¼	11⅛	11⅛	-⅛
10⅞	9⅛	ACM GvOpp x	0.92	9.4		132	9⅞	9¾	9¾	
9½	8½	ACM Gv Sp x	0.82	8.9		182	9⅜	9¼	9¼	
11¼	10⅛	ACM Gvt Se	0.96	8.7		520	11⅛	10⅞	11	
10¼	8⅝	ACM Man x	0.96	9.7		653	u10¼	10⅛	10⅛	-⅛
12⅞	10⅞	ACM Managd x	0.99	9.0		279	11⅛	10⅞	11	-⅛
11¼	4⅛	Acme Cleve x	0.40	5.8	13	86	7⅛	6⅞	6⅞	
6¼	4⅛	Acme Elec			4	26	4⅞	4⅛	4⅞	-⅛
33¼	18⅛	Acuson			12	2640	18½	18¼	18¼	-⅛
19½	18⅛	Adams Expr x	1.63	8.7	0	26	18⅞	18¾	18¾	-⅛
40⅛	29½	Ad Micro	3.00	8.3		176	36	35⅝	36	+½
21½	7½	Ad Micro P	3.00	32.4		33806	9¼	9	9¼	+¼
9⅛	5	Advest Grp	0.16	3.0	76	90	8⅛	5⅞	8⅛	
37¼	33	Aegon ADR	1.69	4.6	6	193	37⅛	36¾	36¾	-½
47	38⅞	Aetna Lf	2.76	6.5	10	708	42½	42¼	42½	+⅛
12¼	8⅛	Affil A x	0.24	2.0	14	341	11¾	11¼	11¼	-⅛
34	24	Aflac x	0.44	1.4	15	884	33	32	32¼	-⅝
19⅞	15½	Ahmanson x	0.88	5.2	7	3815	16⅞	16⅛	16⅞	+⅛
22½	5⅝	Aileen Inc			6	124	5⅞	d5⅝	5¾	
48½	38½	Air Pr Chm	0.88	2.1	17	1480	41¾	40¾	41½	-⅛
29¾	12⅛	Airbne Frt	0.30	2.3	35	386	12⅞	12⅛	12⅞	-⅛
34¼	22⅝	Airgas Inc			26	289	31	30⅝	31	+½
12⅝	8⅛	Airlease	1.68	14.9	8	33	11¼	11⅛	11¼	
104	99½	AlaPw8.16	8.16	7.9		z100	u104	104	103	-1
106½	101½	Alab Pw 9P	9.00	8.6		2	103½	103½	104½	+1
105	100¼	Alab 8.28C	8.28	8.0		6	104	103	104	
11¼	10½	AlaPwOpPf	0.87	8.0		41	10⅞	10⅞	10⅞	
23⅞	17⅛	Alaska Air	0.20	1.1	9	174	17⅝	17½	17½	-⅛
21¼	13⅞	Albany Int	0.35	2.4	88	149	14¾	14⅝	14¾	
32	21⅛	AlCulvr B x	0.24	1.0	18	378	24⅛	23⅞	24	-⅛
25¼	19⅞	AlCulvr A x	0.24	1.1	20	218	22⅝	22⅜	22½	-¼
44⅞	36¼	Albertsons x	0.64	1.6	20	672	40	39⅞	39⅞	+⅛
22¾	18⅝	Alcan Alum	0.30	1.6	40	2067	19⅛	18¾	18¾	-½
42⅝	33⅛	Alco Stand	0.92	2.5	18	626	37	36½	36½	-⅛
23⅛	16⅞	AlexBrown	0.40	2.5	4	116	16½	16¼	16¼	-⅛
25¼	18	Alexdr Alex	1.00	4.1	100	757	24⅛	24	24⅛	+⅛
38⅝	27½	Allegh Lud	0.88	2.9	22	300	31⅛	30⅞	30⅞	-⅛
47¾	41½	Allegh Pow	3.20	6.8	12	348	47⅝	47⅜	47⅜	
31	22⅞	Allen Gp	1.75	6.4		71	27⅛	26⅞	27⅛	+⅛
30	18⅞	Allen Con	0.20	0.9	14	420	22¼	22⅛	22¼	+⅛
27¼	20⅛	Allergan	0.45	1.8	17	121	24½	24	24⅜	-⅛
39⅛	29½	Allnce Cap x	2.40	6.7	13	82	35⅞	35½	35¾	
12½	9½	Allnce Gl	0.18	1.8		133	9⅞	9⅝	9⅞	+⅛
21¼	18¼	Ald Irish	0.82	4.2	123	14	19⅞	19¾	19¾	
61¼	40⅞	Alld Sig	1.00	1.8	47	3131	56⅞	55½	55⅞	+⅛
11	9⅞	AlstMunTr x	0.75	6.8		213	u11	10⅞	11	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4:00 pm prices August 12

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABWBrands	0.44	22	608	37½	36¾	37	-1¼
ACC Corp	0.16	68	184	16¼	15½	15¾	-¼
Acclaim E		20	1481	8¼	7⅞	8⅛	+⅛
Acme Mills		61	14	16½	15¾	16½	
Acxiom Cp		18	336	u18½	18	18¼	
Adaptech		22	1352	22¼	22⅛	22¼	+⅛
ADC Tele		28	109	33	32¼	32½	+¼
Addington		68	101	12⅛	11¾	12	+¼
Adia Serv	0.16	20	52	15¾	14¼	15	-¼
Adobe Sys	0.32	16	6488	35¾	35	35½	+⅜
Advance C		8	145	6⅜	6⅛	6¼	-⅛
Adv Logic		7	87	5	d4½	5	+¼
Adv Polym		21	832	11⅜	10¾	11⅛	+⅛
Adv Tele		22	710	26¼	25¾	26	+⅛
Advanta	0.16	15	453	22¾	22¼	22½	
Advo Sys		21	224	22⅝	22⅜	22½	-⅛
Affymax		25	534	20	19	19¾	+½
Agency Re		13	688	9⅝	9⅜	9½	-¼
AgnicoEa	0.07	1	397	4⅝	4⅜	4½	-⅛
Akzo ADR	1.52	11	78	43⅝	43⅛	43⅛	-⅜
Aldus Cp		14	440	13¾	13¼	13¼	-¼
Alex Bald x	0.88	11	1121	22¾	22	22½	+⅛
Allegh &W		22	51	6¼	5⅞	5⅞	-¼
Allen Org	0.48	11	6	29½	d28	28¼	
Alliant Ph		14	541	19⅜	18¾	18⅞	-⅜
AlldCapII	1.00	17	23	19	18	18	+1
Alld Cap	0.80	15	89	15¾	15	15	-¼
Aloette C	0.32	16	10	6¾	5½	7	+¼
Alta Gold		2	879	13/16	11/16	13/16	-1/32
Altera Co		12	1087	11⅛	10¾	10⅞	-⅛
Am Banker	0.80	7	63	u20¾	20⅜	20¾	+⅛
Am Cty Bu		33	11	18¼	17½	17½	-¼
Am Manag		19	677	u18	17¼	17½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 12

AMERICA

Positive inflation data leave Dow in doldrums

Wall Street

MORE good news on inflation failed to stir US stock markets yesterday, which remained subdued by mid-August summer doldrums, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 10.27 at 3,320.83, above its mid-afternoon low when the index had fallen almost 20 points on computer sell programs.

The more broadly based Standard & Poor's 500 also ended slightly lower, down 1.12 at 417.78, while the Amex composite slipped 1.62 to 386.46 and the Nasdaq composite eased 0.75 to 570.85.

Turnover on the NYSE was 177m shares, and declines outpaced rises by 909 to 787.

The morning's inflation data was positive for market sentiment, but the 0.1 per cent increase in July producer prices was in line with analysts' expectations and, therefore, had no significant impact on prices.

With calmer overseas markets, and little change in bond yields, equities lacked a lead from external influences, and with many market participants away for the summer break, prices traded in a narrow range in light turnover.

McDonnell Douglas was a feature for the third consecutive day. After a delayed opening due to an order imbalance on the buy side, shares in the defence and aerospace group rose another $1⅛ to $41⅞ as investors continued to react positively to last week's announcement of a major restructuring, and the subsequent brokers' upgrades triggered by the news. In the past three days McDonnell's stock has risen almost 20 per cent.

Federal Express dropped $2¼ to $41⅛ in active trading after Morgan Stanley and Robinson Humphrey cut their first quarter earnings forecasts.

Wells Fargo rose $1¼ to $69½ on the news that Mr Warren Buffett, the billionaire investor, had increased his stake in the bank from 9.7 per cent to 10.75 per cent.

Safety-Kleen fell $1⅛ to $26¼ on speculation that the Environmental Protection Agency, the government's pollution watchdog, would reject a call for tougher rules for used oil disposal. The company was expected to have benefited from the new rules.

In the same sector, Fluor Corporation climbed $1⅛ to $39½ after a subsidiary of the company received a contract from the Department of Energy to manage the clean-up of an uranium production plant in Ohio, which could be worth up to $4bn.

On the Nasdaq market, Nordstrom rose $1⅞ to $28¼ in heavy turnover after Lazard Freres, the investment bank, initiated coverage of the stock with a "buy" recommendation and forecast that 1993 earnings would come in at $1.65 a share.

Parametic Technology jumped $3 to $42¼ in active trading after the data processing technology company won a contract worth at least $10m to provide engineering software to Caterpillar, the world's largest manufacturer of earth-moving equipment.

Canada

TORONTO share prices posted a sizable decline in active trading which was boosted by heavy first-day trading in the common shares and instalment receipts of Nova Scotia Power.

Based on preliminary figures, the 300 TSE index fell 26.92 points, or 0.79per cent, to close at 3,377.75. Declines led advances 292 to 243, volume of 38.2m shares was above the previous 28.8m, and trading value was C$404m against C$302.9m. Included in the volume were about 5m shares and 3.5m receipts of Nova Scotia Power, which closed at 10½.

European tyre makers face a flat future

The sector may be heading for a period of underperformance writes **Antonia Sharpe**

Shares in European tyre companies could soon come off the boil if worsening conditions in the UK tyre replacement market spread to other markets, potentially endangering the sector's anticipated earnings recovery.

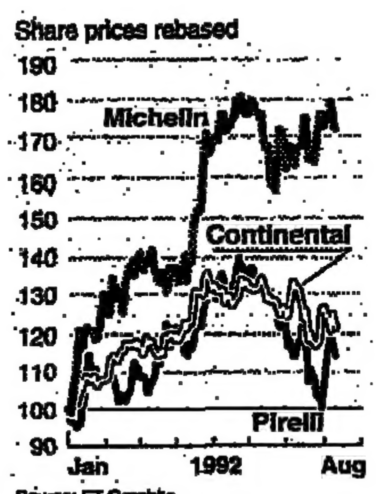
Shares in Kwik-Fit, the UK tyre and exhaust fitter, have more than halved to 98p since the start of June; brokers cut their 1992 earnings forecasts following news from the company that tyre replacement sales had fallen in May, June and July, even although it had maintained its market share. Analysts were also told that customers were opting for cheaper tyre brands.

The best performance since the start of the year has been produced by Michelin of France, which has the largest slice of the global tyre market. Its shares had outperformed the CAC-40 index by 74 per cent by July 31.

Continental of Germany had outpaced the DAX index by 23.4 per cent by the same date; and Pirelli Tyre NV, the Dutch tyre subsidiary of Pirelli SpA of Italy, had outperformed the CBS General index by 37 per cent by June 3, although the gain was subsequently eroded to 28 per cent. The outperformance of Pirelli SpA against the Comit index fell, similarly, from 47 per cent on May 20 to 37 per cent.

Mr Bob Barber at James Capel says that the rush to buy European tyre stocks was prompted by two separate price increases, the first last August and the second in April. "Profits in the tyre industry are rising because of the better pricing and some improvement in the US, but share prices are well up with events," he says.

He expresses concern, however, that the recent news from Kwik Fit is not consistent with the news coming out of the tyre companies themselves. "Any doubt about the pace of earnings coming through will have an impact on the share price," he warns. Another worry is that the recent tyre price increases may not stick if worsening conditions in the tyre replacement market prompt increased competitiveness.



Source: FT Graphite

There are two other reasons why the European tyre sector could be heading for a period of underperformance: the speculative fizz has evaporated, for the near future at least, following the a setback in Pirelli SpA's attempt to take over Continental; secondly, Michelin and Continental have made it known that they intend to have big rights issues, as and when their share prices permit.

The failure of Pirelli SpA, for the second time, to remove shareholder voting restrictions at Continental's annual meeting in early July has left it with virtually no control over its investment. The Italian company has 5 per cent of its German target and options on a further 33.4 per cent. Furthermore, Continental's decision to pass the dividend on 1991 results means that Pirelli SpA will not be getting any return from its investment.

"Unless Pirelli finds the cash it will be difficult to achieve control of Conti," says Mr Robert Willis at Hoare Govett. Even if the Italian company does succeed in finding enough money, it will be obliged to pay a big premium which, in his view, Continental's shares do not justify.

Mr Willis says there have been vague notions that Pirelli might sell its stake in Continental to its Japanese rivals – both Yokohama Rubber and Toyo Tire already have links with the German company. But there is little evidence that this is about to happen.

Mr Barber agrees that the takeover prospects have dimmed for now, but he is confident that eventually, "something will be done". He notes that, for instance, Pirelli succeeded in blocking Continental's application to shareholders for permission to increase its nominal share capital, as a prelude to a rights issue.

Both Continental and Michelin need rights issues to strengthen their balance sheets, Pirelli SpA having tapped the market already earlier this year. Continental now has to consider other measure to raise funds, such as listing its Contitech subsidiary on the German stock market. But Michelin has no obstructions, and analysts believe that it will have a relatively heavy 1-for-5 rights issue with the new shares priced around FFr200.

Michelin's primary need is to reduce its gearing which is currently running at about 260 per cent and a rights issue would cut that to around 150 per cent. Michelin also needs funds for its decision to introduce a new automated process which, it is claimed, could cut most production space to just 10 per cent of its present level.

ASIA PACIFIC

Index-related buying fails to stem Nikkei's decline

Tokyo

ACTIVE index-related buying by investment trusts failed to support share prices, and the Nikkei average registered another new 1992 low, *writes Emiko Terazono in Tokyo.*

The Nikkei fell 48.77 to 14,773.79, its fifth consecutive decline after fluctuations on margin positions, short selling, and index-related buying, hitting the day's high of 14,906.16 and low of 14,658.57 in the morning session.

Volume rose to 240m shares from 199m. Declines led advances by 739 to 167, with 84 unchanged. The Topix index of all first section stocks fell 12.78 to 1,114.02 and in London the ISE/Nikkei 50 index rose 1.28 to 928.91. A total of 659 issues, 53 per cent of the first section, fell to new lows for the year.

Most analysts see the fall continuing. "If share prices discount corporate earnings for the current fiscal year, the Nikkei could fall to 12,000 in the next three to six months," said Mr Craig Chudler at UBS Phillips and Drew.

Nippon Telegraph and Telephone, the market leader, fell Y7,000 to a new low of Y458,000 on selling by individuals.

In spite of the overall weakness, most banks were firm on index buying, with Industrial Bank of Japan up Y20 to Y1,740 and Dai-Ichi Kangyo Bank gaining Y40 to Y1,330. However, Nippon Credit Bank, the long-term credit bank, lost Y100 to Y3,500 on continued worries over its problem loans.

High-technology blue chips were mixed. Hitachi fell Y1 to Y731, in spite of small-lot buying by foreigners, and Matsushita Electric Industrial lost Y60 to Y1,120 on rumours of a downward revision of its earnings. However, Sony advanced Y20 to Y3,780 and NEC gained Y10 to Y750.

Investors took profits on highly-priced stocks which had rallied on prospects of firm earnings. Sega Enterprises, the video game maker, lost Y360 to Y7,590, Seven-Eleven Japan fell Y160 to Y5,100, and Secom, the security company, declined Y300 to Y6,000.

Speculative theme stocks fell on another round of liquidation. Okamoto Industries, the most active issue of the day, fell Y15 to Y810 along with other Aids-related issues such as Mochida Pharmaceutical, down Y40 to Y2,220.

In Osaka, the OSE average lost 391.36 to 15,622.70 in volume of 22.5m shares.

Roundup

FOR ONCE, the rest of the region seemed to have more serious immediate concerns than Tokyo.

AUSTRALIA weakened on a four and a half year low for the Australian dollar and uncertainty ahead of next week's federal budget. Speculation that the government might sell more shares in its 70 per cent owned Commonwealth Bank of Australia also had a depressing effect on the market.

The All-Ordinaries index fell 16.9, or 1.1 per cent to 1,570.7 after the Australian treasurer, Mr John Dawkins, said on radio that the government did not see the need for any further easing in monetary policy, and that the government budget deficit would be "something like" A$14.5bn, the latter raising speculation about the Commonwealth Bank stake.

Turnover rose from A$146m to A$205m. The investment bank, Bain & Co, said that the domestic dollar will rebound over the next week. Westpac Banking fell 12 cents to A$2.98, or 2 cents below the price of its proposed rights issue. The diamond miner, Ashton Mining, fell 22 cents to A$1.56 after bad news at De Beers; the central selling organisation said it will reduce Ashton's diamond sales "by no more than" 5 per cent.

SINGAPORE dropped further on foreign blue chip selling, the Straits Times Industrial index chips closing another 26.68, or 1.9 per cent lower at 1,366.23.

Turnover rose from S$94.2m to S$142.3m. Keppel's near 20 per cent rise in interim group earnings left the shares 10 cents lower at S$5.65 while Sembawang Shipyard, Singapore Press Holdings foreign shares and SIA foreign each lost 50 cents to S$6.20, S$12.40 and S$16.20 respectively.

HONG KONG lost early gains in afternoon profit-taking,the Hang Seng index slipping 7.56 to 5879.19 as a flurry of rumours surfaced on the trading halt in 10 local companies controlled by the Malaysian-Chinese tycoon Lee Ming Tee.

SEOUL hit a 56-month low, the composite index falling 9.79 to 492.66; NEW ZEALAND's NZSE-40 index fell 18.12 to 1,496.56 as Fletcher Challenge and Brierley slid again; and TAIWAN 's weighted index fell 56.67 to 3,901.61 as margin calls forced investors to sell shares.

MANILA, however, rebounded smartly after Wednesday in improved trading, bolstered by the overnight US gain in Philippine Long Distance Telephone, the composite index rising 25.58 to 1471.25 and PLDT closing 30 pesos higher Manila at 1,020.

EUROPE

Conflicting opinions on equity investment

THERE was some danger, yesterday, of a two-way market in investment opinion, *writes Our Markets Staff.*

In Germany, there seemed serious concern that the 1,500 level on the DAX index would not prove an effective support level; but Mr David Roche, now global strategist at Morgan Stanley, said that current pessimism is now priced into markets: "My guess", he said in a report to be published this week, "Is that the next move in global equities will be upwards and that the current correction in world markets is no more than that."

FRANKFURT slowed its decline, the DAX index closing 11.59 lower at 1,553.01 after a loss of 0.47 to 613.60 in the FAZ at midsession. Turnover fell from DM6.1bn to DM5.1bn.

Germans are now pessimistic about the economy, in spite of the expiry last month of the tax surcharge to finance German unity. Mr Matthias Welticke of Merck, Finck in Düsseldorf said that he was also worried about the continued slide in Tokyo, the vulnerability of Wall Street at its present level, the disappointing interim results season and the analysts' earnings downgrades which could follow this.

The result was that where results brought out a buy recommendation, investors ignored it. Degussa fell DM1 to DM320 after a 15 per cent increase in interim profits for 1991-92, and a forecast of further gains in 1992-93.

PARIS saw dull trading with oil stocks lifted by activity in the futures market. The CAC-40 index lost 7.75 to 1,730.05 in low turnover of FFr1.06bn.

Rumours that Iraqi troops had massed at the Iraq-Kuwait border, denied by a Kuwaiti official just as the market was closing, was partly responsible for a stronger oil sector. Elf closed up FFr1.40 at FFr316.00 while Total put on FFr1.00 at FFr225.70.

Elsewhere a negative note on banks by one broker left Suez and Paribas down FFr2.50 and FFr4.50 respectively to FFr239.00 and FFr302.00.

Sanofi lost FFr8 to FFr987. Mr Mark Tracey of Goldman Sachs has downgraded his 1992 EPS forecast for the stock and expects the pharmaceutical company to report disappointing US sales for one of its leading products.

AMSTERDAM saw Daf fall to a historic low, down 30 cents to Fl 17.20 ahead of interim results on August 27. The truck maker is still suffering from poor UK sales, although it has forecast a second half profit.

The CBS Tendency index closed 0.8 lower at 112.2. KLM fell Fl 1.10, or 3.6 per cent to Fl 29.00 ahead of today's first quarter results. Some analysts are estimating a net profit of between Fl 90m to Fl 120m compared with Fl 136m.

MADRID's general index closed at its lowest level since December 1987 with a fall of 3.81 to 205.76. Turnover was about Pta6.5bn.

With July CPI figures due for release today Mr Stephen Hughes of Nikko Europe is forecasting a month-on-month increase of 1.1 per cent, although some other analysts are more pessimistic.

BRUSSELS lost 2 per cent to its lowest level of the year. The Bel-20 index shed 22.29 to 1,092.47 in turnover of BFr1.14bn. Petrofina declined for the fourth consecutive day, losing BFr430 or 4.3 per cent to BFr9,500.

Along with COPENHAGEN and OSLO, STOCKHOLM recorded another year's low with Ericsson B down SKr9 to SKr107 following a downgrade by a US analyst and Volvo B SKr9 lower at SKr311. The Affärsvärlden index shed 11.9 to 815.9 in turnover of SKr394m.

James Capel in London rated Volvo a long-term buy yesterday although the broker revised its 1992 EPS forecast to SKr15 from SKr28 to reflect higher interest rates, the decline in the value of the dollar and the delayed economic recovery in the US and Europe.

VIENNA closed slightly higher in nervous trading. The ATX index put on 3.47 to 686.92. Leykam, the paper manufacturer, improved Sch17 to Sch290.

ISTANBUL rose for the third consecutive day. The index advanced 49.49 to 4,062.00 in turnover estimated at TL251.8bn. Eregli, the steel maker, rose TL50 to TL3,950.

FT-SE Eurotrack 100 - Aug 12

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1043.95	1042.33	1041.05	1040.33	1039.99	1037.81	1037.14	1037.76

Day's High 1044.18 Day's Low 1036.46

Aug 11	Aug 10	Aug 7	Aug 6	Aug 5
1044.92	1049.68	1067.01	1078.71	1081.21

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG remained under pressure as De Beers fell R5.90 or 8.6 per cent to R62.60 following Tuesday's announcement that it may cut its final dividend. The overall index fell 101 to 3,208 while industrials lost 110 to 4,049 and the gold index shed 15 to 979.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 12 1992								TUESDAY AUGUST 11 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	132.93	−2.9	102.22	107.30	101.18	123.20	−1.3	4.44	136.83	105.58	110.76	104.58	124.78	153.68	132.93	146.89
Austria (19)	139.64	+0.3	107.38	112.72	106.29	106.44	−0.2	2.74	139.27	107.45	112.73	106.54	106.69	186.70	139.27	172.74
Belgium (42)	139.63	−3.7	107.37	112.70	106.27	103.82	−4.2	5.93	144.99	111.87	117.35	110.92	108.34	152.27	135.87	130.29
Canada (114)	126.08	−1.3	96.95	101.77	95.98	108.74	−0.9	3.21	127.80	98.61	103.44	97.77	109.71	142.12	124.32	140.27
Denmark (35)	230.65	−0.3	177.37	186.19	175.56	176.93	−0.7	1.98	231.30	178.46	187.22	176.95	178.21	273.94	226.81	255.36
Finland (15)	69.67	+0.4	53.57	56.24	53.03	58.71	+0.0	2.40	69.42	53.56	56.19	53.11	58.70	89.80	69.42	98.84
France (104)	155.48	−0.1	119.56	125.49	118.33	121.03	−0.4	3.72	155.59	120.05	125.93	119.02	121.55	168.75	148.06	133.62
Germany (64)	116.05	+0.4	89.24	93.69	88.32	88.32	0.1	2.69	115.58	89.18	93.57	88.42	88.42	129.69	114.67	108.69
Hong Kong (53)	244.01	−0.3	187.64	196.97	185.73	242.18	0.3	3.39	244.78	188.86	198.12	187.27	242.91	259.55	176.36	169.98
Ireland (16)	153.84	−0.4	118.30	124.18	117.09	119.59	0.9	4.41	154.51	119.22	125.07	118.21	120.72	173.71	151.78	154.25
Italy (78)	63.15	+0.6	48.56	50.97	48.06	52.31	+0.3	3.96	62.75	48.42	50.79	48.01	52.16	80.86	61.30	73.18
Japan (473)	87.32	−0.5	67.15	70.48	66.47	70.48	−0.8	1.21	87.76	67.72	71.04	67.15	71.04	140.95	87.32	128.93
Malaysia (69)	238.29	−0.7	183.24	192.34	181.36	229.34	−0.7	2.74	239.87	185.08	194.15	183.51	230.87	250.47	212.49	213.16
Mexico (18)	1375.76	−0.9	1057.94	1110.54	1047.15	4638.96	−1.3	1.29	1388.58	1071.40	1123.95	1062.31	4698.85	1789.77	1303.41	1107.36
Netherland (25)	161.15	+0.5	123.92	130.08	122.66	121.43	+0.1	4.62	160.32	123.70	129.77	122.66	121.36	167.29	147.88	138.35
New Zealand (14)	43.22	−2.4	33.23	34.89	32.90	42.83	−1.1	5.30	44.27	34.16	35.84	33.87	43.31	48.52	42.01	46.33
Norway (23)	153.74	+0.3	118.22	124.10	117.02	120.51	−0.1	2.09	153.28	118.27	124.07	117.27	120.67	192.95	153.28	204.00
Singapore (38)	190.69	−2.1	146.64	153.93	145.14	141.44	2.2	2.34	194.80	150.30	157.67	149.02	144.57	229.63	190.69	193.62
South Africa (61)	196.99	−3.6	151.48	159.01	149.93	159.02	−4.2	3.21	204.83	158.05	165.79	156.70	165.98	263.60	194.69	249.01
Spain (49)	133.79	−1.4	102.88	108.00	101.83	94.92	−1.8	6.19	135.70	104.71	109.85	103.82	96.69	161.72	133.79	149.59
Sweden (30)	180.92	−1.4	139.13	146.05	137.71	142.56	−1.8	2.88	183.56	141.62	148.57	140.42	145.24	200.28	173.09	190.06
Switzerland (62)	111.20	−0.1	85.51	89.77	84.65	91.03	−0.4	2.36	111.33	85.90	90.12	85.18	91.42	113.88	95.99	93.61
United Kingdom (228)	175.96	+0.1	135.31	142.02	133.91	135.31	−0.3	5.38	175.83	135.67	142.31	134.50	135.67	200.07	165.85	175.90
USA (522)	170.32	−0.2	130.97	137.49	129.64	170.32	−0.2	2.95	170.75	131.75	138.21	130.63	170.75	173.10	160.92	158.39
Europe (790)	143.36	−0.1	110.24	115.72	109.12	110.22	−0.5	4.32	143.46	110.69	116.12	109.76	110.73	156.88	139.31	138.46
Nordic (103)	167.99	−0.9	129.18	135.61	127.86	126.27	−1.3	2.51	169.48	130.77	137.18	129.66	127.93	188.52	167.99	187.68
Pacific Basin (715)	94.15	−0.7	72.40	76.00	71.66	77.11	−0.8	1.59	94.77	73.13	76.71	72.51	77.73	141.97	94.15	130.38
Euro – Pacific (1505)	114.05	−0.4	87.70	92.05	86.80	90.82	−0.6	2.98	114.46	88.32	92.64	87.56	91.38	145.21	113.80	133.92
North America (636)	167.55	−0.3	128.84	135.26	127.55	166.12	−0.3	2.97	168.06	129.67	136.04	128.59	166.59	170.31	158.70	157.19
Europe Ex. UK (562)	123.36	−0.2	94.88	99.61	93.93	95.64	−0.6	3.56	123.60	95.37	100.06	94.58	96.21	132.98	121.81	116.24
Pacific Ex. Japan (242)	161.55	−1.5	124.23	130.43	122.97	146.14	−0.9	3.67	163.99	126.53	132.76	125.47	147.41	175.31	149.00	144.86
World Ex. US (1698)	116.15	−0.5	89.31	93.76	88.41	93.23	0.7	2.97	116.70	90.04	94.47	89.28	93.90	146.91	116.15	135.92
World Ex. UK (1992)	129.50	−0.4	99.58	104.54	98.57	114.80	0.5	2.66	130.06	100.36	105.28	99.51	115.43	150.58	127.21	139.29
World Ex. So. Af. (2159)	133.13	−0.3	102.38	107.48	101.34	116.29	−0.5	2.96	133.58	103.07	108.14	102.20	116.83	153.05	130.04	141.78
World Ex. Japan (1747)	159.03	−0.3	122.29	128.36	121.05	143.34	−0.4	3.47	159.57	123.12	129.17	122.10	143.97	165.40	153.20	151.02
The World Index (2220)	133.51	−0.4	102.67	107.78	101.63	116.69	−0.5	2.97	134.02	103.41	108.48	102.54	117.29	153.70	130.66	142.48